

Public Utilities

Volume 57 No. 13



June 21, 1956

ATOMIC POWER AND THE COAL INDUSTRY

By the Honorable James E. Van Zandt

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The Fifth Freedom

*An Interview with
John Paul Jones*

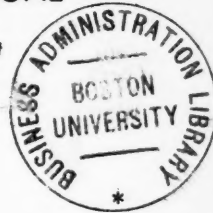
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Getting Utilities Together with the City Engineers

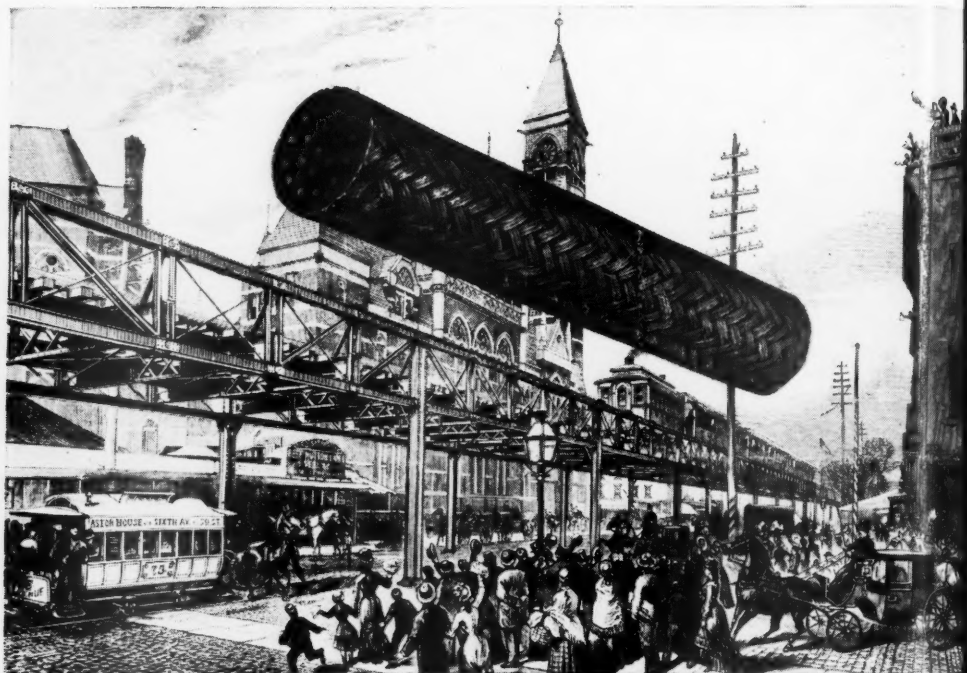
By Milton Offner

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Private Enterprise Can Win Natural Resources Issues



Kerite cables aided in the development of New York's rapid transit. Pictured is the first train on the Gilbert Elevated Railroad passing through 6th Avenue, near Jefferson Market Court, April 28, 1878.



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VOLUME 57

JUNE 21, 1956

NUMBER 13



ARTICLES

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Nothing could be farther from the fact than the suggestion that atomic energy eventually might close down our coal mines.

The Fifth Freedom An interview with John Paul Jones 887

Cincinnati Transit today has attained a "fifth freedom"—the freedom from labor strife.

Getting Utilities Together with the City Engineers Milton Offner 896

American Public Works Association has taken a constructive part in bringing utility engineers and city engineers together on co-ordinating their programs.

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PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

Executive, Editorial & Advertising Offices....MUNSEY BLDG., WASHINGTON 4, D. C.
Publication OfficeCANDLER BUILDING, BALTIMORE 2, Md.

Advertising Representatives:

New York 6: Robert S. Farley, 111 Broadway, CORTland 7-6638

Cleveland 15: Macintyre-Simpson & Woods, 1900 Euclid Avenue, CHerry 1-1501

Chicago 1: Macintyre-Simpson & Woods, 75 E. Wacker Drive, CEntral 6-1715

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Subscriptions: Address correspondence to PUBLIC UTILITIES FORTNIGHTLY, circulation department, Munsey Building, Washington 4, D. C. Allow one month for change of address.

Single copies \$1.00. Annual subscription price (26 issues a year): United States and possessions, \$15.00; Pan American countries, \$15.00; Canada, \$16.00; all other countries, \$17.50.

Entered as second-class matter April 29, 1915, under the Act of March 3, 1879, at the Post Office at Baltimore, Md., December 31, 1936. Copyrighted, 1956, by Public Utilities Reports, Inc. Printed in U. S. A.

the Miracle on

On the banks of the Ohio, right now, these two huge electric plants are turning out power at the rate of over 18-billion kilowatt-hours annually. They are, respectively, the first and second largest investor-owned power plants in the world.

They stand on what was farmland less than three and one-half years ago.

Their completion, substantially ahead of schedule, is the result of the outstanding teamwork of management, investors, engineers, technicians and workers of privately-owned utilities and their suppliers.

The vast power output of these plants, *almost half as much electricity as all France produces*, is ready to assure uninterrupted operation of the Atomic Energy Commission's uranium diffusion center near Portsmouth, Ohio.

When the AEC made its enormous needs known, 15 private electric companies* joined forces to form the Ohio Valley Electric Corporation and its subsidiary, Indiana-Kentucky Electric Corporation. Pooling their resources in men, money and experience, they and their suppliers worked faster than the construction timetable. In quick order the 11 gigantic B&W boilers, the turbines, generators, buildings—and all the vast complex of auxiliary equipment—were designed, built and placed into operation.

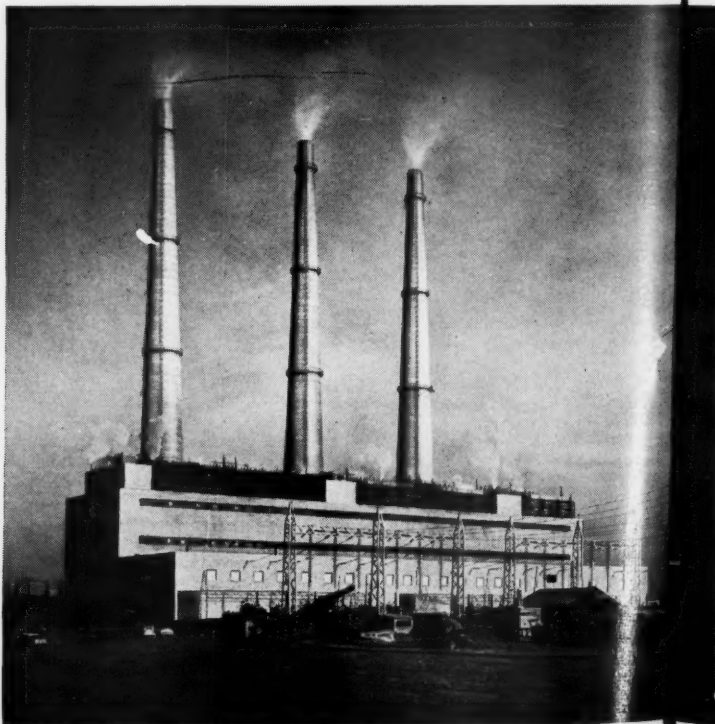
The first generating units were placed in commercial operation in February 1955. The final unit went on the line in February 1956 at Clifty Creek, marking the largest installation of power in a single project ever made in a twelve-month period.

All Americans can be proud of OVEC-IKEC for this great accomplishment. What appears to be a miracle, in reality is, a clear demonstration of what private enterprise and enlightened government, working together, can accomplish for the benefit of the entire nation.

The future will undoubtedly pose many similar challenges. Can they be met? Are enough young engineers, business men, technicians, and skilled workers being developed to accept these great responsibilities? Babcock & Wilcox, like so many other American firms, is pledging its resources to guarantee that the answer will be "Yes!" Recruiting and training young men, expanding and modernizing production facilities, conducting extensive research and engineering development projects—all are part of a long range B&W program to contribute its share to the technical and economic progress so necessary for the continued growth of the nation.

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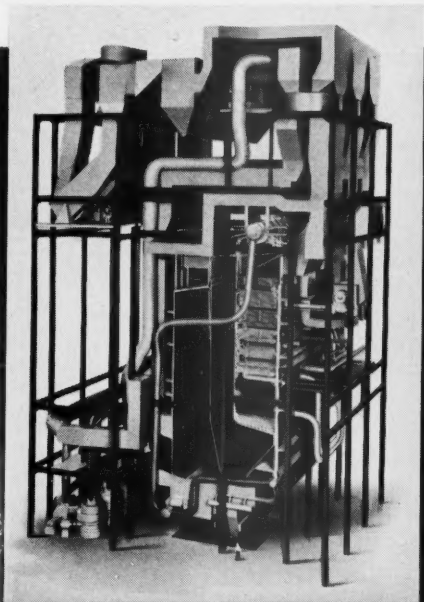
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CLIFTY CREEK PLANT, at Madison, Indiana, with a capacity of 1,290,000 kilowatts, is the world's largest investor-owned power plant.



The B&W Open-Pass Boilers generate steam for the two plants. Each boiler produces 1,330,000 lb of steam per hr at 2000 psi and 1050 F, with reheat to 1050 F. The utilization of high temperatures, high pressures and reheat at both plants places them among the most efficient and economical in operation.

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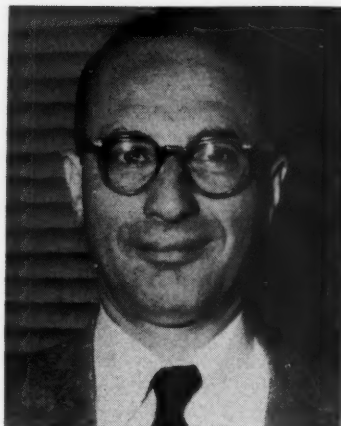
Pages with the Editors

OUR readers will note in this issue (see page 903) an announcement of the forthcoming change of address of the Washington executive, editorial, and advertising offices of this publication from 309 Munsey Building to Suite 332, Pennsylvania Building, 425 thirteenth street, N. W., Washington 4, D. C. The new Pennsylvania Building, to which we shall move on July 1st, is just across the parkway from the old address. But although the distance is not great, one does not leave the scene of so many years of business activity without mixed feelings. It was nearly thirty-eight years ago that the original Washington office of Public Utilities Reports, Inc., was started in a very modest space in the old Munsey Building in Washington. (It has since multiplied considerably at the same location.)

BUT the continuing demands for more space and modern accommodations are inexorable. And so, shortly after the distribution of this issue we shall be in business, not exactly at the "same old stand," but in new and larger quarters just across the parkway in downtown Washington. If our tenure at the new location continues the trend of growth and acceptance which our many readers and friends have made possible over the past years, the move will



JAMES E. VAN ZANDT



MILTON OFFNER

be an event of pleasurable anticipation.

* * * *

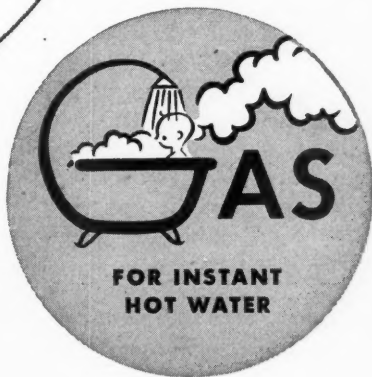
FROM Oak Ridge, Tennessee, comes the word that atomic scientists have begun tests on a liquid fuel reactor or atomic furnace which they believe holds promise of atomic power as cheap as coal by 1969. The reactor, in which liquid atomic fuels are mixed together much like milk and cream in homogenized milk, is an improved version of one which generated enough electricity at Oak Ridge to light fifty houses. Because of the way the liquid fuels are mixed, it is called a homogeneous reactor.

It is one of five reactor types which the Atomic Energy Commission is developing at various installations as a prelude to economical, peacetime atomic power. "Economic" is the key word. Dr. Alvin M. Weinberg, director of Oak Ridge National Laboratory, points out that atomic power now is far too expensive to compete with power generated at coal-fired steam plants.

As it stands now, it would cost as much as 5 cents per kilowatt-hour to generate electricity on a large scale with atomic energy. This compares with Tennessee Valley Authority's cost of almost three-tenths



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PAGES WITH THE EDITORS (Continued)

of a cent per kilowatt for electricity generated at its steam plants.

THAT is why precaution and common sense are needed in evaluating the progress of atomic power development in this country. Too much "Sunday supplement" treatment and exaggerated claims about the magical properties of atomic power development can lead to false expectation of early miracles. Dr. Lawrence R. Quarles, dean of the school of engineering at the University of Virginia, and a consultant on atomic energy at Oak Ridge, pointed out that solar energy would probably heat houses in the foreseeable future and that automobile engines might be going back to electricity or alcohol before nuclear-fueled devices could be used for such ultimate consumer purposes.

AMONG other inaccurate or distorted views which have been expressed are those dealing with the future of the coal industry in its relationship to atomic power development and other advances. Such articles have often suggested serious dislocation, if not total displacement, of the coal industry over the long run because of the use of atomic fuels. The opening article by the HONORABLE JAMES E. VAN ZANDT, U. S. Representative from Pennsylvania, places the question in its proper perspective. Actually, experience so far suggests that atomic power development will increase rather than replace the use of coal as a basic energy source. The Pennsylvania lawmaker gives us reasons for his conclusion that nothing could be farther from the fact than the suggestion that atomic energy eventually might close down our coal mines.

REPRESENTATIVE VAN ZANDT was born in Altoona and educated in Pennsylvania public schools. He started his career as a molder apprentice in the Pennsylvania Railroad shops at Altoona and rose to the post of district passenger agent. Then, in 1938, he ran for Congress and was elected to the House of Representatives from the twenty-third Pennsylvania district. Except for World War II service with the Navy, he has successively represented that district in the House.



GEORGE W. KEITH

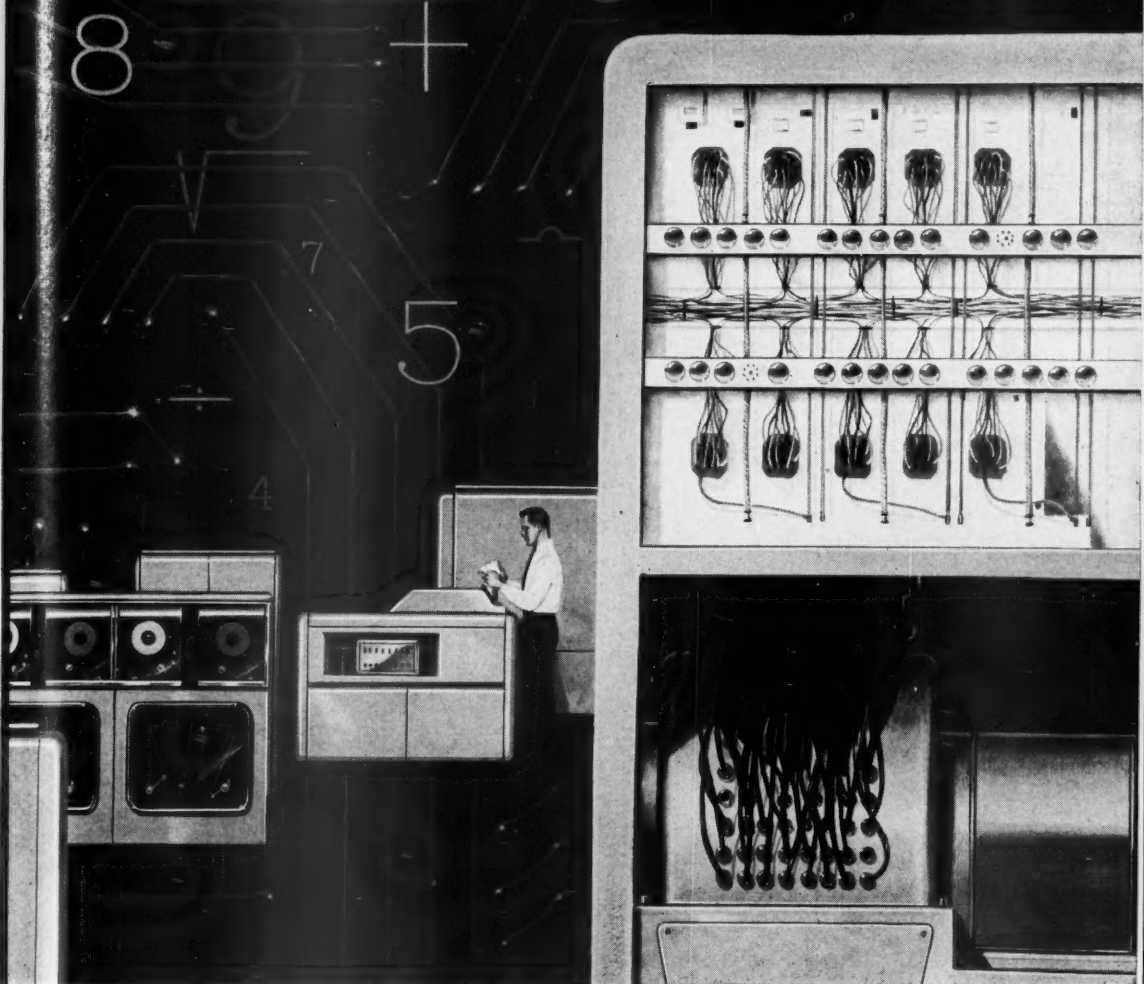
IN the article beginning on page 887, JOHN PAUL JONES, president of the Cincinnati Transit Company, through an interview with the veteran writer of business articles, George W. Keith, tells us how and why Cincinnati Transit today has attained a "fifth freedom"—the freedom from labor strife. JOHN PAUL JONES, who is only thirty-nine years old, was until recently public relations expert for the Cincinnati Transit Company and succeeded to the presidency following the sudden passing of the late W. R. Kellogg.

* * * *

MILTON OFFNER's article (see page 896), "Getting Utilities Together with the City Engineers," throws light on a little-known field of company relations—that of the utility engineers who work under municipal regulations. Rising costs and taxes have led public works officials to seek closer co-operation with outside engineers. MR. OFFNER protests that he has not much of a biography, because in 1917, while still in his teens, he accepted a 60-day appointment with the Los Angeles Board of Public Works. Like the man who came to dinner, he is there yet. "As the department has grown with the city," he adds, "my job has grown and I harbor the thought that I have grown with my job."

THE next number of this magazine will be out July 5th.

The Editors



ELECTRONIC BRAIN WITH A LOT ON ITS MIND

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Coming IN THE NEXT ISSUE

(July 5, 1956, issue)



INVESTORS' VIEW OF MANAGEMENT AND REGULATION

While there is no such thing as a formula which investors apply in evaluating management and regulation, there is no doubt that well-informed investors do make a serious and systematic effort to do so. What are the questions which investors ask in testing the balance, efficiency, and other qualities of utility management and regulation? John F. Childs, vice president of the Irving Trust Company, New York city, furnishes us with literally dozens of such questions asked by investors every day. His article gives us a comprehensive "investors' eye view" of many things, good, bad, and indifferent, which investors want to know about before putting their money into utility securities. It should be an eye opener for both utility management and utility regulators.

TELLING THE STORY OF EMPLOYEE BENEFITS

Now and then we hear actual stories of working people who get into debt and other difficulties in order to take care of troubles which they did not know or realize were already provided for, under benefits made available by their employers. S. F. Leahy, manager of employee relations of The Detroit Edison Company, has come to grips with this very practical problem of telling the employee (as well as others) what these benefits are and how they can be obtained. It is not enough to set up sound benefits. Their value is lost if the employee forgets about them or does not understand how and when he can use them.

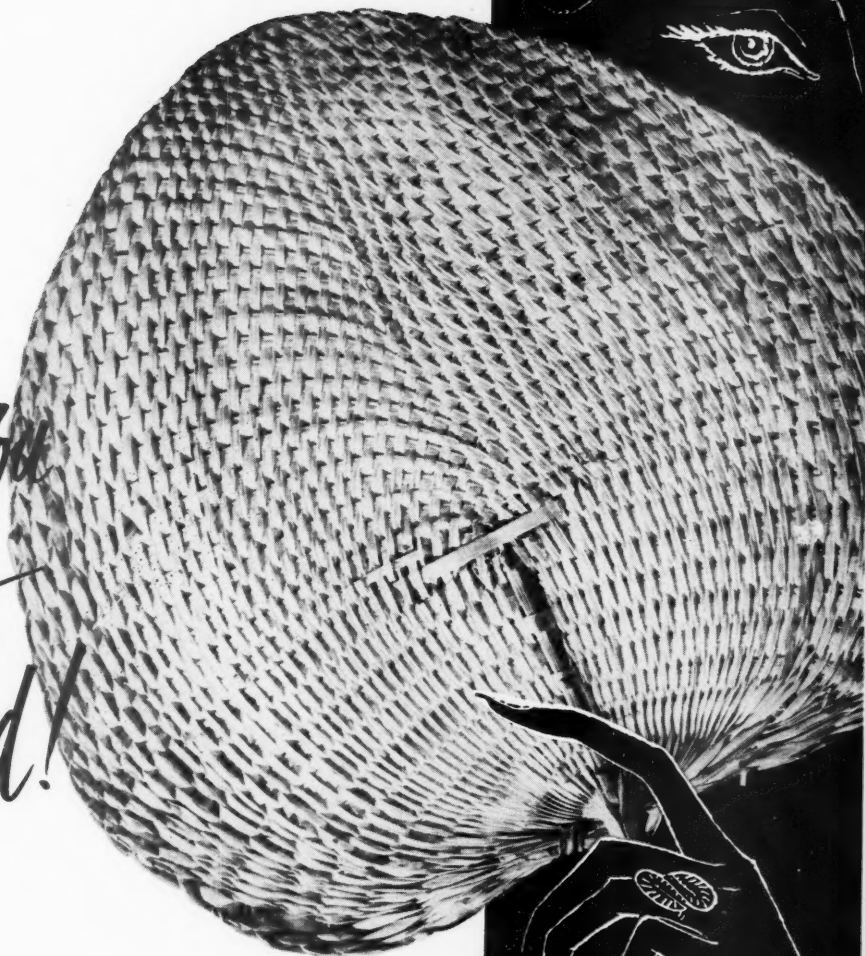
LET'S GET TO KNOW EACH OTHER

There is no question about the fact that professors far removed from the actuality of business should get together with businessmen. Perhaps this article might give some of the professors and businessmen an idea. Economic theory and actualities in industry seem to be far apart, as is indicated by the attitudes of many professors. Dr. John D. Garwood, professor of economics at the Fort Hays Kansas State College, has outlined a practical approach which many professors and utility management have actually used in reaching common ground and better understanding of each other's point of view.



Also . . . Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.

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Short
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When you used the old palm leaf fan you couldn't do any work except fan!

There's another operation that leaves you short handed when you turn out the work by hand — *rate bill analysis!*

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"There never was in the world two opinions alike."

—MONTAIGNE

E. F. SCOUTTEN
*Director of industrial relations,
The Maytag Company.*

"The major source of cost reduction must lie in management's right and ability to manage, and in refusing to let labor unions invade management's sphere."

J. H. COLLINS, SR.
*Former president, Southern
Gas Association.*

"Natural gas is the best thing for cooking and for heating and for industrial fuel and for many newer uses. But we've become so used to this fact that sometimes we may fail to convince other people of it."

HARLEY L. LUTZ
*Professor emeritus of public finance,
Princeton University.*

"The removal of other barriers to the free flow of funds into risk-taking and job-creating investments is a desirable step but it will be relatively futile unless there is also removed the very obstructive barrier of the high taxes on incomes, and the gross discriminations of the steeply progressive rates of tax on individual incomes."

HERBERT HOOVER
*Former President of the
United States.*

"The engineers and scientists can make possible further major productive strides—if their minds and spirits are kept free from the stifling of government burdens and bureaucracy. . . . Our productive future can match its great past—if we have the courage and the wisdom to preserve and maintain our political and economic traditions."

HENRY OBERMEYER
*Administrative vice president,
Bozell & Jacobs, Inc.*

"The time is long past when an industry can afford to look at public relations as either a necessary evil or a tolerated luxury. It actually is as much of an operating problem as accounting, personnel, and purchasing, and only slightly secondary, perhaps, to distribution. Every company has public relations, whether they want it or not, and they can choose only whether it's to be good or bad."

GEORGE M. HUMPHREY
Secretary of the Treasury.

"The success of our economy depends not upon government, but upon the efforts of all the people all trying to do a little more for themselves, trying to better themselves and their loved ones. It is the cumulative effect of all this individual effort, each for himself, thinking, planning, and working to improve his own position in his own way that makes our system superior to anything ever known in this world before. That's what makes America."

DEAN H. MITCHELL
*President, American Gas
Association.*

"We have never been able to adequately capture the imagination of the American people. The politicians, our public relations barometer, still believe a slightly antiutility attitude has popular appeal. To me, the tragedy was not the passage or lack of passage of the Harris-Fulbright Bill, however much it may have been needed. The tragedy was the display and existence of a divided industry. Out of our soundest thinking must be found a way to unity. No segment of our industry can go it alone."

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**Goes places a standard station wagon
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Take a good look at the new Dodge *Town Wagon*—the ideal low-cost vehicle for your business! It's a double-duty carrier of passengers, cargo, or both. And with Forward Look styling it's as handsome as it is versatile!

The *Town Wagon* is built on a rugged ½-ton Dodge *truck* chassis, giving you extra ground clearance for off-the-road driving. It's powered by either the famous Dodge L-head Six or the new Power-Dome V-8.

With seats in place, one model carries six passengers, the other eight. In the six-passenger model you've got about 90 cubic feet of load space in the rear compartment. The same amount of space is available in the eight-passenger model with the rear seat removed. You can also take all extra-passenger seats out of either model, leaving clear, unobstructed room for a big, truck-size payload of 1575 pounds.

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or big, 1575-lb. payloads . . .



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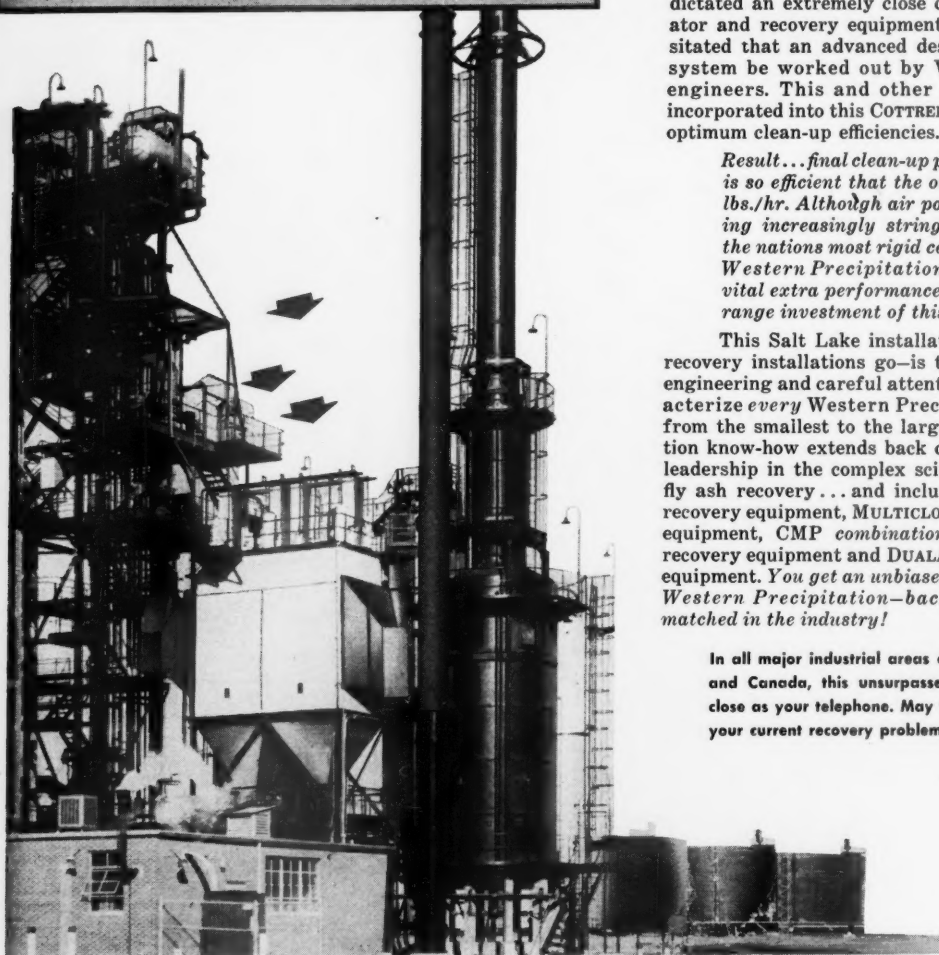
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Result...final clean-up provided by the COTTRELL is so efficient that the outlet loading is only 0.1 lbs./hr. Although air pollution codes are becoming increasingly stringent, this far surpasses the nations most rigid codes—further proof that Western Precipitation COTTRELLS deliver the vital extra performance so important on a long range investment of this type.

This Salt Lake installation—not a large job—recovery installations go—is typical of the advanced engineering and careful attention to details that characterize every Western Precipitation installation from the smallest to the largest. Western Precipitation know-how extends back over almost 50 years of leadership in the complex science of dust, fume and fly ash recovery...and includes COTTRELL electrical recovery equipment, MULTICLONE mechanical recovery equipment, CMP combination electrical-mechanical recovery equipment and DUALAIRE filter type recovery equipment. You get an unbiased recommendation from Western Precipitation—backed by know-how matched in the industry!

In all major industrial areas of the United States and Canada, this unsurpassed experience is as close as your telephone. May we be of service on your current recovery problem?



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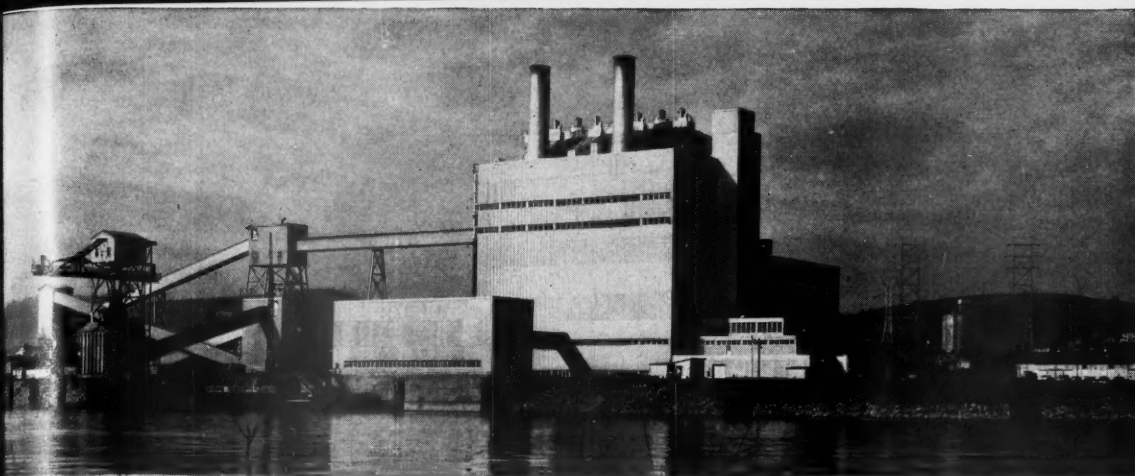
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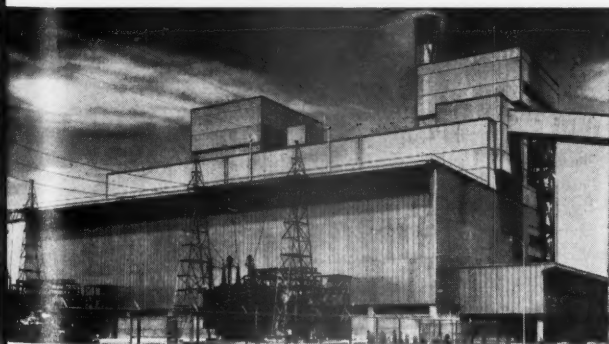
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Q-Panel walls (above) go up quickly in any weather because they are dry and hung in place, not piled up.

More than 32,000 sq. ft. of Q-Panels were used to enclose the impressive Hawthorn Steam Electric Station (left) of the Kansas City, Missouri, Power and Light Company. Ebasco Services, Inc., designed and built the plant.



Please send a free copy of your Q-Panel Catalog.

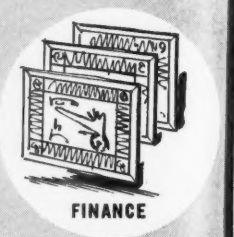
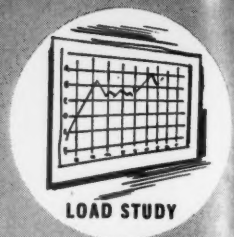
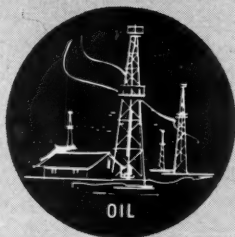
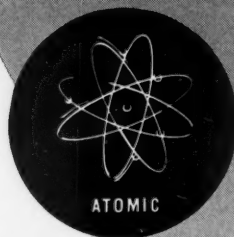
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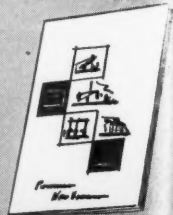


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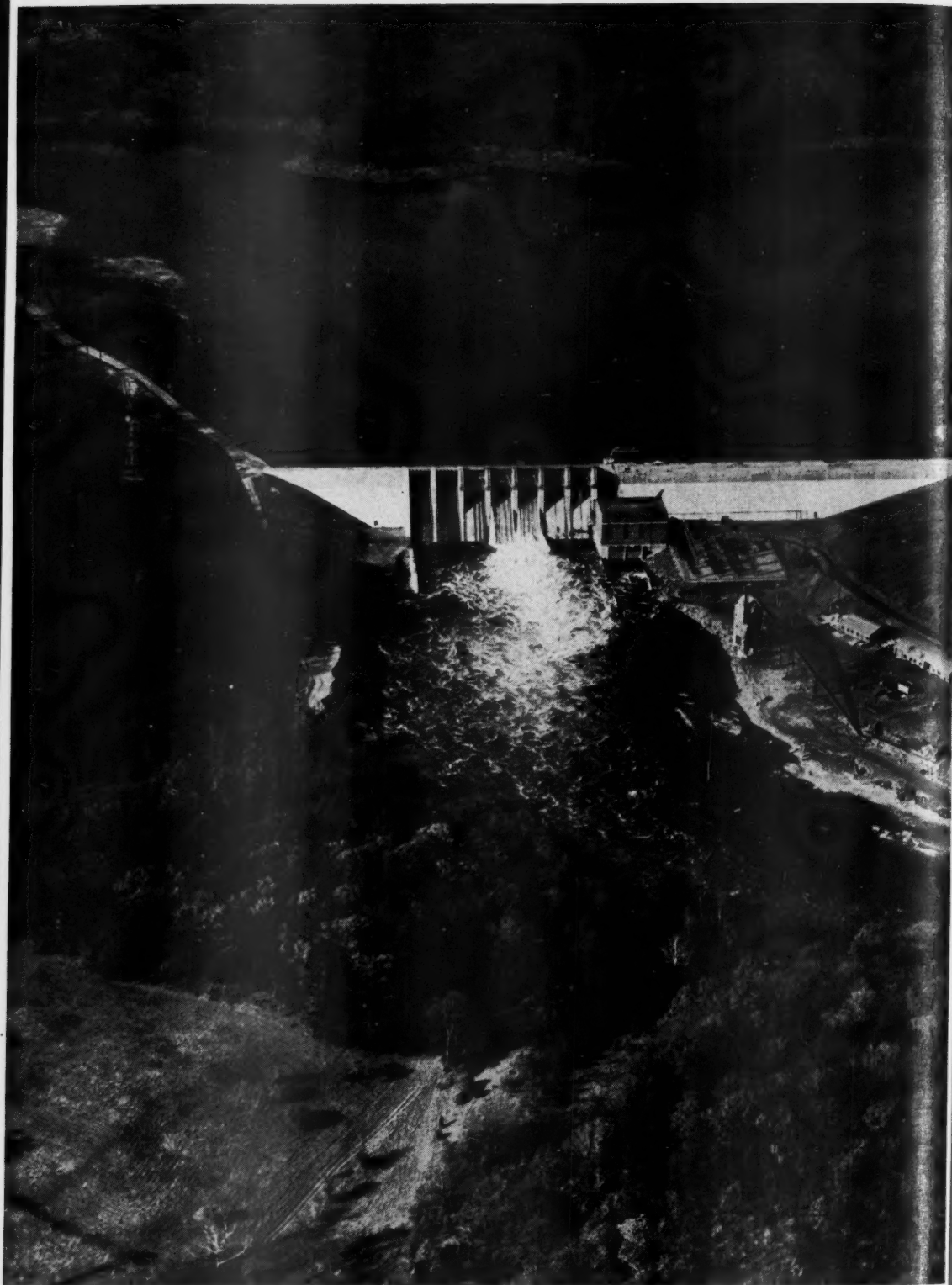


UTILITIES

A.l.m.a.n.a.c.k

JUNE-JULY

Thursday—21 <i>Northwest Electric Light and Power Association, Accounting and Business Practice Section, begins meeting, Portland, Ore.</i>	Friday—22 <i>Public Utilities Association of the Virginias, Accident Prevention Committee, begins conference, Roanoke, Va.</i>	Saturday—23 <i>Electrical Equipment Representatives Association ends four-day summer meeting, Carmel, Cal.</i> 	Sunday—24 <i>Wisconsin Utilities Association, Accounting Section, begins convention, Elkhart Lake, Wis.</i>
Monday—25 <i>American Institute of Electrical Engineers begins summer and Pacific general meetings, San Francisco, Cal.</i>	Tuesday—26 <i>Atomic Industrial Forum, Inc., ends two-day conference, Denver, Colo.</i>	Wednesday—27 <i>Michigan Electric Association ends four-day annual convention, Mackinac Island, Mich.</i>	Thursday—28 <i>American Chief Engineers' Association begins northwest power show, Minneapolis, Minn.</i>
Friday—29 <i>American Society for Engineering Education ends five-day annual meeting, Ames, Iowa.</i>	Saturday—30 <i>National Housewares and Home Appliance Manufacturers will hold exhibits, Atlantic City, N. J. July 9-13. Advance notice.</i>	JULY Sunday—1 <i>Southeastern Electric Exchange, Personnel Administration Section, will hold meeting, Savannah, Ga. July 12, 13. Advance notice.</i> 	Monday—2 <i>Western Summer Radio-Television and Appliance Market will hold western merchandise mart, San Francisco, Cal. July 16-20. Advance notice.</i>
Tuesday—3 <i>International Organization for Standardization will hold council meeting, Geneva, Switzerland. July 16-21. Advance notice.</i>	Wednesday—4 <i>National Association of Railroad and Utilities Commissioners will hold annual convention, San Francisco, Cal. July 24-27. Advance notice.</i>	Thursday—5 <i>Columbia University Industrial and Management Engineering Department will hold annual utility management workshop, Harriman, N. Y. July 29-Aug. 10. Advance notice.</i>	Friday—6 <i>Western Electronic Show and Convention will be held, Los Angeles, Cal. Aug. 21-24. Advance notice.</i>



Courtesy, The Connecticut Light & Power Co.

New Hydro on the Housatonic

The recently dedicated 47,000-kilowatt Shepaug hydro development.

Public Utilities

FORTNIGHTLY

VOL. 57, No. 13



JUNE 21, 1956

Atomic Power and the Coal Industry

The Pennsylvania lawmaker gives us reasons for his conclusion that nothing could be farther from the fact than the suggestion that atomic energy eventually might close down our coal mines.

BY THE HONORABLE JAMES E. VAN ZANDT*
U. S. REPRESENTATIVE FROM PENNSYLVANIA

A NEW era of robust prosperity lies ahead for the U. S. coal industry. Our rapidly developing atom-for-peace program is today one of America's largest coal-consuming industries, using approximately 20,200,000 tons a year for its own heat and power requirements. And this vast atomic program already is expanding faster than U. S. coal production.

*For additional personal note, see "Pages with the Editors."

At present our atomic experimental plants are using one car of coal every eighty seconds, night and day, the year around. Experts in the Atomic Energy Commission estimate this demand likely will double over the next five years. Instead of replacing coal as a basic energy source, atomic power promises to test the entire coal industry, over the next decade, in its ability to keep abreast of the still unmeasured demands of atomic experiment and development.

PUBLIC UTILITIES FORTNIGHTLY

From studies presented before the Congressional Joint Committee on Atomic Energy, of which I have the honor to be a member, I am convinced that we face, not the displacement of coal by the new A-power program, but rather the question, "Can coal keep up with the call to be made upon it over the next fifty years?"

Electric-generating capacity installed in the U. S. today measures 116,000,000 kilowatts. By 1970 our demand will be 320,000,000 kilowatts; and by 1980, 600,000,000. Only 18 per cent—less than one-fifth—of our power today is supplied by hydro energy. With America's need for electric power expanding so fast, the ultimate problem is not which fuel may be crowded out of the market, but, rather, what new energy sources may be developed to help carry the load?

NOTHING could be farther from the fact than the suggestion that atomic energy eventually might close down our mines. The truth is that by 1980 (only twenty-five years forward) our atomic power production will be, at best, about 175,000,000 kilowatts, against about 425,000,000 kilowatts from fossil fuels. With our power requirements multiplied by five by 1980, today's conventional fuels in various forms still will supply approximately 71 per cent, and atomic plants only about 29 per cent of our total energy. Even after allowance for increased efficiency in coal consumption at steam plants, our coal requirements for power alone by 1980 would call for five tons for every one consumed today for electric power.

Neither shall we fear exhaustion of our fossil fuels. The Interior Department assures us that "our potential supply of these fuels . . . is literally beyond the realm of

accurate estimate . . . our resources are so vast as to apparently insure an adequate supply for any reasonable foreseeable period of time." Some official estimates say we have plenty of these fuels in reserve for at least a thousand years.

Recent history attests the ever-increasing efficiency of coal as our basic energy source. The Federal Power Commission tells us that in 1926 we required three pounds of coal to produce one kilowatt-hour of electricity. Today, less than one pound of coal produces the same energy for the transmission system—and engineers already are designing new boilers to give us one kilowatt-hour of electricity for only six-tenths of a pound of coal. When the productive energy obtained from a pound of coal thus can be multiplied by five over a period of only thirty years, it is utterly unrealistic to harbor fears that the industry may be pushed out of the fuel market.

IT is likely, too, that we cannot long continue to consume natural gas at our present prodigious rate. As these naturally limited supplies tend toward exhaustion, the replacement demand will fall first on coal. The Atomic Energy Commission calculates that by 2000 A. D. only about one per cent of our electricity will come from oil and natural gas fuels—as against approximately 50 per cent from those fuels today.

Production of gas and liquid fuels from coal also is progressing in giant strides. This new form of coal fuel is not yet competitive with direct-consumption coal, but easily could become so over the next two decades. The Atomic Energy Commission estimates that by 2000 A. D. as much as 76 per cent of our electricity might come

ATOMIC POWER AND THE COAL INDUSTRY

from such converted coal fuels. This is a fourth compelling reason why coal faces a future of sustained prosperity.

A SECOND argument heard occasionally against atomic electric power programs is that, with government investing heavily in every A-power project, the way is being paved for the eventual nationalization of the entire electric industry.

This argument neglects utterly the fact that private investments in A-power projects in the U. S. at the end of 1956 will total more than \$175,000,000. Are these people investing in eventually state Socialism?

We must not forget that until 1954, when the new Atomic Energy Act became effective, A-power remained a complete, airtight government monopoly. Not only was it illegal for private enterprise to experiment in atomic research save under rigid government tutelage; all atom research and development were under almost crippling security protection, which forbade even the theoretical discussion of scientific probabilities in normal public speaking and writing. During those fourteen years (1941-54) atomic energy was a total state secret. It was as if the first automobile had been impounded by the

government, and no private experiment or development permitted until about 1905.

The problem of protecting our A-power defense systems still remains. That area of nuclear development necessarily must continue a stoutly protected government monopoly, at least until international control treaties may be perfected. Meanwhile, the AEC has made great progress since 1954 in releasing research data not related basically to defense programs. This has been accomplished through the Eisenhower concept of active partnership between government and industry, as outlined in the 1954 act.

TODAY there are fifteen electric power plants under construction, in design, or proposed in pending AEC contracts, all for completion during the next five years. These plants will cost in excess of \$1.5 billion, of which private enterprise will pay approximately half. Surely it is untenable to suggest that such companies as Commonwealth Edison, Pacific Gas and Electric, Duquesne Light & Power, Yankee Atomic Electric Company, Detroit Edison, General Electric, and North American Aviation are parties to a gigantic conspiracy to socialize the electric power industry.



Q "A NEW era of robust prosperity lies ahead for the U. S. coal industry. Our rapidly developing atoms-for-peace program is today one of America's largest coal-consuming industries, using approximately 20,200,000 tons a year for its own heat and power requirements. And this vast atomic program already is expanding faster than U. S. coal production. At present our atomic experimental plants are using one car of coal every eighty seconds, night and day, the year around. Experts in the Atomic Energy Commission estimate this demand likely will double over the next five years."

PUBLIC UTILITIES FORTNIGHTLY

To my mind, this type of planning on the part of our large co-operating companies refutes conclusively all arguments that government participation in the nuclear energy program imperils private development of A-power electricity. To provide effective legal safeguards against such a take-over by government, Congress in the 1954 act specifically and categorically forbade the AEC to engage in "the sale or distribution of energy for commercial use" save where such energy became available as a by-product of government research and development programs.

Through all human history timorous philosophical fears have argued against progress. The railroad was resisted in the first half of the nineteenth century because it might run over the farmers' cattle, sheep, and horses. In every generation there has emerged a small fringe of sabotage against mechanical and scientific equipment—even to the resistance offered by our own horse breeders early in the present century against development of the automobile; or the more recent campaign against the dial telephone, on the ground that it surely would displace and impoverish all manual operators.

YET, in every case, the new industry came on, only to broaden the productive base of the entire economy, provide more jobs, bigger payrolls, more leisure for all. We know today, for example, that without the automatic dial phone there would not be available in the entire country enough capable telephone "centrals" to handle our present volume of local traffic.

Similarly, nuclear power is here to stay. It will not make us poorer, but richer. So long as the government must continue to

spend large sums every year in development of the atomic defense program, it is logical and sound to carry on the collateral studies for peacetime applications of the same power. The cost of these peace studies is relatively small, yet they promise to contribute magnificently to national development clear across the economic horizon. Indeed, they already have yielded vast benefits in medicine, agriculture, food preservation, electronics, and heat machines. Should all these fabulous by-products of the defense program be neglected merely because they entail a degree of partnership and co-operation between government and private enterprise?

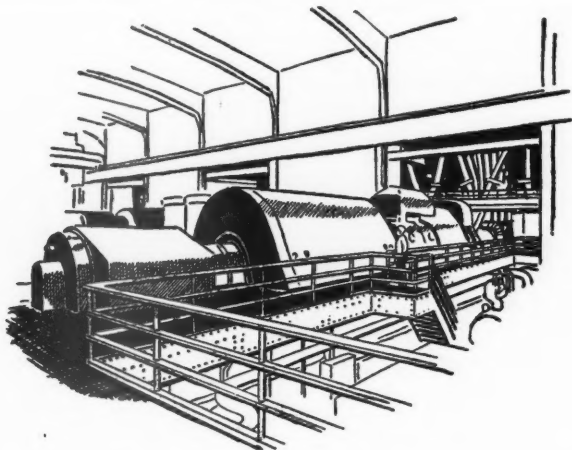
Secondly, there are large areas of the earth which have no conventional fuels. Atomic power is the only hope of those regions for industrial progress. We have much to gain from industrial progress among the sandal-and-loincloth peoples of Asia, Africa, and Oceania.

England already is pressing her nuclear power program under forced draft, chiefly because her coal resources are vanishing rapidly.

Russia is fully abreast of America and England in A-power technology. Shall we stand by to see Communism take the lead in peacetime application of the atom?

THIRD, many areas of the U. S. are far removed from today's conventional fuels. Smaller unit "package reactors," now well along in development, promise adequate power for those areas long before A-power electricity becomes truly competitive in our great industrial areas closer to fuel deposits.

True, A-power electricity today is perhaps ten times more costly than power from conventional fuels, but this cost is



State Socialism Opposed

"... we of the Congressional Joint Committee will not permit the peacetime application of atomic power to undermine in any way our private enterprise system. I intend to make certain that—as implicit in the new atomic energy law—there shall be no permanent subsidies once the research and development stage is past. We will do whatever is possible to bring about competitive nuclear power for the benefit of all the people of the world, but there will be no subsidization beyond the research area. My one intent is to support the program to the extent necessary for the betterment of mankind."

coming down every month. At some point in the future A-power electricity must become competitive in our great metropolitan markets. Meanwhile, however, our power demands are increasing much faster than our generating capacity.

Government has a definite place in the development of new industries and new energy resources through all the experimental phases, for the entire national economy benefits from such progress. But our government's support of scientific research and development in aviation during World War I did not entail nationali-

zation or socialization of the aviation industry after 1918. Nor did federal aid to wireless research in the early years of this century entail socialization of the radio and electronics industries.

Free enterprise has its own great strengths and values. Government research in new fields of technology, as a function of national defense, does not weaken or destroy the ultimate values of freedom.

PERHAPS the most convincing answer to the charge that the atom may bank-

PUBLIC UTILITIES FORTNIGHTLY

rupt our coal industry has been given by the National Coal Association. This organization, which represents most of the bituminous coal tonnage produced in twenty-six states, certainly has as great a stake in the nation's energy program as any individual company or other association.

THE following two paragraphs are from a resolution adopted by the National Coal Association and submitted formally to the Congressional Joint Committee on Atomic Energy:

I. In the progression of humanity, in furthering world trade, in advancing the cause of peace, and in maintaining the world leadership of the United States, there is a need to continue government sponsorship of the development of nuclear energy. To this end, the National Coal Association recognizes the need for the government to support the national laboratories and to carry out the basic as well as applied research in the field of atomic energy.

II. Future development of economically feasible nuclear power is necessary to provide power for underdeveloped areas of the world, to assist nations which have power shortages, and to protect the future of the United States in the power field. The National Coal Association therefore recognizes the need for the government to continue the power demonstration program to optimize the conditions under which atomic power is generated.

Tom Pickett, executive vice president of the National Coal Association, came before the Joint Committee on Atomic Energy and stated unequivocally that the coal industry has no fear about the development of the atom for peacetime uses. He submitted his own studies showing that the nation will need at least twice as much coal by 1980 as was produced in 1955. Mr. Pickett, like other coal industry spokesmen from whom we have heard, asks only that cost figures and other unclassified information pertaining to the reactor program be made public.

SPEAKING for myself, I can assure the American people that we of the Congressional Joint Committee will not permit the peacetime application of atomic power to undermine in any way our private enterprise system. I intend to make certain that—as implicit in the new atomic energy law—there shall be no permanent subsidies once the research and development stage is past.

We will do whatever is possible to bring about competitive nuclear power for the benefit of all the people of the world, but there will be no subsidization beyond the research area.

My one intent is to support the program to the extent necessary for the betterment of mankind. If in the process of carrying out this program any federal official or other participant attempts to advance the cause of state Socialism in the electric power industry, I shall vigorously oppose such action, and shall, without hesitation, make my suspicions known to the American people.



The Fifth Freedom

Forty-three years ago, there was strike violence in Cincinnati, Ohio, resulting in rioting and disorders. The trouble stemmed from a transit strike which caused widespread public indignation. Today, thanks to a unique bargaining agreement reached between management and employees, there could not be a repetition of such difficulties.

An Interview with
JOHN PAUL JONES*
As Told to George W. Keith

ONE balmy morning in May occupants of buildings in the vicinity of Fourth and Vine in Cincinnati were suddenly made aware of ominous sounds in the streets.

To anyone who has never heard the terrifying murmur preceding violent mob action the noises were eerie and puzzling.

The unusually insistent clanging of a streetcar gong, and shouts of anger and fear, swelling to a crescendo, triggered a mass rush to windows and doors to learn the cause of the commotion.

Looking down on the scene from the fourteenth floor of the Ingalls Building, a man saw people running in all directions, as a trolley car, the vortex of this cyclone of sound, made snail-like progress

westward over Fourth street. Cries of derision and protest literally filled the air.

Then, suddenly, there was an instant of silence, more appalling than the previous din, as the gaze of all onlookers, as by some mass hypnosis, focused on an upper story of the Union Central Building, then under construction on the southwest corner of Fourth and Vine.

And, as though rehearsed, a concerted apprehensive gasp went up as a huge barrel came hurtling down, struck the trolley wires, teetered uncertainly, then landed with a crunching, explosive crash squarely on top of the streetcar.

SCREAMS rent the air as myriad sparks shot out of the car roof in a swirl of dust as the barrel staves gave way, scattering its contents. The trolleys flew off, emitting sparks, and dangling crazily

*President, Cincinnati Transit Company, Cincinnati, Ohio. For additional personal note, see "Pages with the Editors."

PUBLIC UTILITIES FORTNIGHTLY

against the live wires, as missiles of all kinds and sizes showered down from various floors.

A police whistle blasted, and a mounted patrolman dashed into the fray, riding his horse right into the lobby of the building from whence a workman had cast the barrel of cement, or lime, and from where the other missiles had come.

This proved the climax to streetcar strike disorders which had rendered Cincinnati business all but impotent. It was the "shot that was heard around the wards," and it aroused an indignant city to action to prevent further disgraceful disorder.

These events occurred forty-three years ago. They cannot conceivably happen here again because of a most unique bargain, reached between management and employees, and which is still in force—a kind of Fifth Freedom, attained a full score of years before the first four were promulgated — Freedom from Labor Strife!

Recently John Paul Jones, 39-year-old public relations expert for the Cincinnati Transit Company, succeeded to the presidency made vacant through the untimely death of W. R. Kellogg.

On taking the chair which had been so capably filled by Walter A. Draper, Morris Edwards, and Mr. Kellogg, the young man voiced keen appreciation of the honor and trust implicit in his appointment.

In an interview granted this PUBLIC UTILITIES FORTNIGHTLY author, Mr. Jones was asked:

"WOULD you consider the splendid relations brought about by the 1913 contract as possibly the most outstanding achievement of your company,

JUNE 21, 1956

since it has given you freedom from labor troubles?"

"Yes," he replied. "I think that is true. Labor difficulties are unfortunate for any business. For a transit company they are a catastrophe to have to worry about such matters.

"We are not like most going concerns, where business is continually expanding, enabling them to absorb increased costs more readily than in a situation of retrenchment, like ours.

"I am deeply grateful for the cordial management-employee conditions I have inherited from Mr. Kellogg and Mr. Edwards, before him. Mr. Edwards, as you reported in your PUBLIC UTILITIES FORTNIGHTLY article ("The Cincinnati Transit Story," July 16, 1953), engineered the transition from rail to rubber, which earned our company the reputation of being the first larger transit company to achieve this forward-looking and necessary goal.

"And, I bow deeply to Mr. Draper (Walter A. Draper, chairman of the board), for he, in addition to having been president of the company for twenty-three years, was one of the architects of the voluntary-compulsory labor pact, initiated in 1913."

"Voluntary-compulsory," he was reminded, "contains a contradiction in terms."

He smiled. "That," he said, "is Mr. Draper's name for it and a very apt one, I think you will agree, when you understand the details and how they came about."

ASKED the reason for the strike which culminated in the agreement, he explained:

THE FIFTH FREEDOM

"Recognition of the union and the right of employees to organize. What we accept today as just and commonplace was hard to swallow in the days before World War I. When W. Kesley Schoepf, then head of the Cincinnati Traction Company, vowed he would never allow his employees to 'run' his business he was simply reflecting the attitude of thousands of other employers.

"Peaceful picketing as we know it," he continued, "did not exist, and understandably. The custom of hiring outsiders to take the place of strikers invariably led to violence.

"For ten days there was violence here. Threats and demands of the chief of police, safety director, the mayor; the city solicitor's application for a receiver, all were of no avail.

"The press and public rebelled at attempted amateur, constantly menaced, operation; it was enough to drive to distraction everybody concerned.

"Both sides refused to budge, until on the tenth day, Walter A. Knight, president of Federated Improvement Associations, came forward with a sort of ultimatum. The only solution, he stated, was for the interested parties to 'meet face to face,' instead of calling each other names at a distance, and engendering more bitterness of the kind which was already jeop-

ardizing the community. He set a deadline for 11 P.M. of the same day for a reply.

"As Mr. Knight was spokesman for 38 other civic organizations, and was himself held in such general high esteem, both sides acquiesced.

"Fortunately both chose representatives of sterling quality. John P. Frey, a local labor leader, later national head of the Metal Trades Division of the AFL, noted always for leaning over backward to be fair in any dispute; William Mahon, president of the parent Amalgamated Street Railway Employees; and James A. Wilson, of the Patternmakers' Union, and later prominent nationally, were named for the men.

"**E**QUALLY distinguished in their respective fields were the company representatives: Colonel William Cooper Procter, president of the Procter & Gamble Company; J. V. B. Scarborough, industrialist; and Mr. Draper, who was at that time vice president of the traction company.

"It was agreed that to prolong the strike was senseless and wasteful, and a blot on the name of our city; the men were to return to work, without prejudice, pending arbitration, conducted in a calm climate by a three-man board.



THERE was some unspoken anxiety recently when it was learned that outside capital might gain control of the company, with the probability of new management, unfamiliar and unsympathetic with local conditions; and the frightening possibility of an upset in the ENTENTE CORDIALE. When a 'young' local group took over there was an almost audible sigh of relief, and there was general approval when John Paul Jones took the helm."

PUBLIC UTILITIES FORTNIGHTLY

"Mr. Frey was selected for the men, and Mr. Draper for the company; these two to select a third, impartial member to represent the riding public.

"They chose Professor Herman Schneider, dean of the college of engineering of the University of Cincinnati, father of co-operative education, whereby, as you no doubt know, students work part time, while attending the university, earning their way and gaining invaluable business or technical experience at the same time.

"His selection was the happiest kind of choice, and his acceptance was typical of his high-minded devotion to what he considered his civic responsibilities. (Mr. Jones is a product of co-op education, having entered the service of Cincinnati Transit while alternating work and studies.)

"Dean Schneider's intercession in the deadlock met with unanimous praise and approval.

"Rooms for the meetings were provided as a civic service by the Sinton Hotel; the arbiters served without remuneration.

"There were 28 sessions held," Jones related. "They were conducted in the same manner as is a court of law, with Dean Schneider presiding, and witnesses being questioned and examined as in such a court. The proceedings were open to the public and attracted wide attention.

"The very fact that they were held resolved the primary reason for the strike and subsequent disorders; that is, the right to organize, and recognition of Local 627.

"The union had incidentally asked for a wage increase and adjustment of the scale under which they had been receiving

16 to 20 cents an hour, which was in keeping with the prevailing wage elsewhere, and they worked twelve hours a day, when required, and seven days a week, when necessary, as was the custom then. After working sixteen years they could earn 27 cents an hour.

"The umpires awarded them 25, 27, and 30 cents, for one, two, and three years, respectively. But they did not stop there. Instead they went into every phase of working conditions, some of them involving elementary humanitarian principles, such as permission for the conductor to stand inside in inclement weather, when his services were not actually needed on the open platform; and providing gutters to drain excess moisture from those platforms.

"They tried to anticipate everything connected with efficient operation and maintenance of good transit service. And when they were done, there is the visible result." He pointed to two huge volumes. "Thirteen hundred fifty pages of foolscap, the stenographic transcript of their efforts!"

"You mentioned a voluntary-compulsory agreement," he was reminded.

"Mr. Edwards," he said, "covered that better than I can, when the local celebrated its Ruby anniversary—forty years of peaceful coexistence with the company, you might term it."

He showed me a half-page newspaper advertisement, captioned "Hats Off to Local 627!" in which Morris Edwards, company president, saluted the members of the Amalgamated Association of Street Electric Railway and Motor Coach Employees of America, summarizing the 1913 award. It read, in part:



Evolution of Urban Transit

“*“THE [transit] industry is changing, not dying. It is up to us to analyze this change, meet it, and adjust ourselves to it instead of capitulating. . . . We have a factor to deal with which, for all practical purposes, almost takes us out of the utility concept of monopoly, as the private car has emerged as direct and growing competition. It is not a reflection on the industry; it is just common sense and convenience for a person who wishes to go from one suburb to another, to use his own private car. He makes the trip in a short time, without having to go first to a transfer point, and losing a lot of time. Public transit was not devised for that kind of transportation, but to carry passengers from the suburbs to compact downtown business centers, and return.’ ”*

Not only did the award direct the parties to arbitrate all differences arising out of working conditions; it also directed them to agree to arbitrate all differences in the negotiation of subsequent contracts. The union was directed to refrain from striking, and the company to agree not to change conditions of work and pay, pending arbitration. In addition, both parties were directed to agree to be bound by all future awards in the arbitration of such vital issues.

One need not be a Philadelphia lawyer to detect the “until-death-do-us-part” phraseology here. The record does not show whether the arbiters kept their collective fingers crossed when they issued the holy-bonds-of-matrimony type of banns.

THAT the pact endured is evident from the subhead of the Edwards tribute, “A Union Forty Years Young in Keeping Its Word!” and,

From that May 19th—both parties—

PUBLIC UTILITIES FORTNIGHTLY

the union and the company have lived within the spirit and the letter of the terms of that agreement. Technically, they are still operating under the original contract, as amended every year or so, either by negotiation or by arbitration, during the intervening period.

If there was ever any fear that the employees would be compelled to knuckle down to the boss after making such unheard-of promises, it did not materialize. Said the advertisement:

Under such circumstances, a friendly feeling of mutual respect and mutual trustfulness has come into being, bringing with it untold benefits. To the union, vigilantly alert to the interests of its members, it has brought about a set of working conditions, and a level of pay which constantly have been in the forefront of the transit industry, and have compared favorably with corresponding conditions in other leading industries.

BENEFITS listed as a result of the pact included a base rate pay of \$1.78, in 1953 (today it is \$2 per hour); 8-hour day; 40-hour week; overtime for over eight hours; liberal vacations; pensions; life insurance; sickness and accident insurance; hospital and surgical care for employees and their families; full-time employment, inherent in transit operation.

The ad continued:

To its everlasting credit the union has regulated its pace of progress so as to impose no ruinous hardship on the company and the riding public. (Italics supplied.)

Both the company and the public have benefited, too, from this enlight-

ened association. The company through a cost of labor not exceeding that borne by the leading companies in the industry . . . by an exceedingly low rate of labor turnover, a peaceful atmosphere in which to conduct its business, and a body of high-type, well-trained, and conscientious employees. . . . The public have profited because the agreement has meant a quality of transit service not excelled in any other large city, at a price reasonably consistent with the cost of rendering it.

IN this connection it is noted that, with wages ten times greater than in 1913, if fares had increased correspondingly, they would now be 50 cents, instead of the present 18 $\frac{3}{4}$ -cent token fare.

On the public's credit side was enumerated:

. . . a quality of safety in operation, second to none; and of greatest importance to you who depend on it—a *service guaranteed against interruption by strikes or other labor trouble. (Italics supplied.)*

No wonder the union . . . is proud of its record. During forty years it has honored its pledged word not to strike, at the same time improving its economic status and working conditions . . . In so doing it has made its unique contributions to the stability, safety, and reliability of Cincinnati Transit service.

ON the subject of safety, Jones said, "It was with a great deal of satisfaction and pleasure that sixty-three of our operators have just been cited for driving eight successive years without a single, preventable accident; and 644 operators, many already with seven, six, five, four,

THE FIFTH FREEDOM

three, two, and one years' safety records, received in 1955 awards for driving an entire year without a preventable traffic or passenger accident.

"We also take great pride," he continued, "in the fact that these excellent records could not possibly have been attained had not the company provided and maintained uniformly safe, modern equipment.

"Public utility engineers, W. C. Gilman & Company, are on record as to the good condition and efficient maintenance of our rolling stock and plant."

Asked if special note had been taken by the local regarding this unparalleled forty years of peaceful coexistence, he replied that "It was marked by a luncheon and dinner at Hotel Netherland Plaza for the members and guests, which included A. L. Spradling, one-time Cincinnati motorman, and now international president of the Amalgamated. He was one of the principal speakers, along with City Manager Kellogg, later our company president, who died recently.

"Mayor Carl Rich; Public Utilities Director Robert J. White; Orris E. Hamilton, safety director for the city, and George W. Howie, city traffic engineer; and Mr. Draper, all delivered addresses. And, Mr. Edwards presented 627 with a bronze plaque."

This commemorative states it to be "in recognition of its fine record on behalf of its members, the fair and co-operative attitude of its leadership, and its adherence to the spirit and letter of the original contract, still in effect. . . ."

ACKNOWLEDGING the gift, the officers, President Louis Bengel and Secretary Ralph C. Bates, closed their letter with a statement which has no doubt already occurred to the readers of this article: "You will go a long way to find employers such as represent our company in doing the many kind deeds in life which others forget."

Nor such a union, it should be added! For, since 1913 there have been less than a dozen times when that type of arbitration was resorted to.

Three wars with their economic upheavals; the change from two-man to singleton operation; conversion from rail to rubber; problems of maintenance, separately for trolley buses and the gasoline types; these and many other crises, any one of which could have been an excuse for stoppages, were met "face to face" and resolved without rancor, prejudice, or loss of man-hours.

And rapport between company and union should continue to be even better than previously, if possible. It seems that



Q "THREE wars with their economic upheavals; the change from two-man to singleton operation; conversion from rail to rubber; problems of maintenance, separately for trolley buses and the gasoline types; these and many other crises, any one of which could have been an excuse for stoppages, were met 'face to face' and resolved without rancor, prejudice, or loss of man-hours. And rapport between company and union should continue to be even better than previously, if possible."

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the new president, while a co-op, and acting as a "checker" of passenger load, often came in contact with a bus operator of his own age; many friendly chats about the transit business and its problems ensued.

Neither dreamed that one day the operator, Orville Henderson, would be president of Local 627 when ex-checker John Paul Jones became president of Cincinnati Transit.

THERE was some unspoken anxiety recently when it was learned that outside capital might gain control of the company, with the probability of new management, unfamiliar and unsympathetic with local conditions; and the frightening possibility of an upset in the *entente cordiale*.

When a "young" local group took over there was an almost audible sigh of relief, and there was general approval when John Paul Jones took the helm.

A newspaper columnist, making capital of the new skipper's name, quoted Jones as saying, "I have not yet begun to fight!"

Whether or not he said it, he is in the thick of a fight, one aim of which is to disprove that rather widespread notion that transit is dying.

"I do not agree with that," he said in the course of the present interview. "The industry is changing, not dying. It is up to us to analyze this change, meet it, and adjust ourselves to it instead of capitulating."

To this end he is trimming his sails, battening down his hatches, plugging any leaks, and clearing the decks before going into action. He can do this, to carry the nautical simile further, without fear of any union outflanking maneuvers, with captain and crew perfectly integrated.

"WE have a factor to deal with," he explained, "which, for all practical purposes, almost takes us out of the utility concept of monopoly, as the private car has emerged as direct and growing competition.

"It is not a reflection on the industry; it is just common sense and convenience for a person who wishes to go from one suburb to another, to use his own private car. He makes the trip in a short time, without having to go first to a transfer point, and losing a lot of time.

"Public transit was not devised for that kind of transportation, but to carry passengers from the suburbs to compact downtown business centers, and return. Suburb-to-suburb lines were an afterthought.

"They have seldom been profitable, if at all; the heavy downtown loads used to take care of losses on most of these parasite lines.

"At one time we may have been able to afford this. Today we cannot. Our loads have shrunk from 132,000,000 rides in 1946, to 65,000,000 in 1955.

"We have 270,000 auto registrations in this county of 750,000 people. But our primary concern is for that part of the public which owns no car, or has never learned to drive. Our responsibility may have to resolve itself solely to get people downtown and back.

"We must also educate the public to the fact that, for this purpose—travel downtown, and return—the safest, cheapest, and most efficient way is by bus. No private car can compete with us in this. If we can convince enough people that this is true, with these converts, added to the nondrivers, our business may even grow, not die.

THE FIFTH FREEDOM

"We feel we have made a good start with our Club Flyers and park-and-ride plans, and hope to expand them greatly, while adding other new features."

(Jones drives his own car from his suburban home three miles, parks it in Mt. Lookout, and rides the Flyer into town and back daily.)

REVERTING to the query with which this interview opened, he said, "Now you can understand my high regard for our healthy company - employee relations, which we believe are unequaled anywhere."

He then related that, incredible as it is, there had once been a serpent in this para-

dise, when a small number of men decided when the union was formed they would have no truck with "domination" of their lives.

Here company and union displayed rare forbearance in not insisting on compliance. The recalcitrants were permitted to go their serene ways without let or hindrance, and gradually, one by one, they came into the fold. All but one.

He was a good, sober, hard-working man with the conviction that the Father of his Country was so right in inveighing against "entangling foreign alliances." This streetcar man wasn't having any either, if you please! His name?

George Washington!



Government-business Co-operation

"... co-operation between business and government should be a two-way street.

"If we as a nation are to preserve private enterprise, we must preserve initiative and research and competition and free markets and sound money and credit policies of government. Of course, it is natural for a businessman to exercise self-interest because if he did not pay attention to his own shop, he could not stay in business.

"If we are to keep prosperity and foster long-range economic growth, however, businessmen also must be economic statesmen with a vision and a sense of duty that embraces the well-being of the entire nation.

"For if businessmen—of all people—neglect or fail to champion private enterprise and the government policies that encourage private enterprise, how can private enterprise continue to survive?"

"The alternative to free enterprise is captive enterprise. It is the fall of conservatism and the rise to power of radicalism with its jargon of class warfare, its dangerous ideologies, and its chains for business."

—SINCLAIR WEEKS,
Secretary of Commerce.

Getting Utilities Together with the City Engineers

For years, utility engineers have acquiesced in public works rules, even when they knew better methods. And that cost plenty! Now outside engineers, taken into the APWA, are discussing methods, sponsoring engineering research, and saving money against rates and taxes.

By MILTON OFFNER*

A PUZZLED machinery salesman came to a friend at one of the recent American Public Works Association conventions, at which, as usual, there was a fine show of equipment for doing city work.

"Tell me something, Fred," he said. "I've always understood that your organization was limited to public works officials. But yesterday I had a visitor who seemed to be greatly interested in our

trenching machines. When I asked what public works department he was connected with, in what city, he said he was not a public works man at all, but a public utility company manager, supervising street work. And this morning I've met several other utility company men. What's going on here, anyway?"

"Oh, these utility company fellows rate as public works men at last," he was told. "We are taking them in as associate members, for what they know about city work. Just treat them as so many more good prospective customers for your equipment."

*Secretary, Los Angeles Board of Public Works, and past president, American Public Works Association. Based on an interview with James H. Collins. For additional personal note, see "Pages with the Editors."



GETTING UTILITIES TOGETHER WITH THE CITY ENGINEERS

With costs rising the way they did after the war, and the public becoming more and more critical of taxes, the American Public Works Association, dating back to 1894, passed a constitutional amendment admitting utility men, and other groups, to associate membership. For it had been discovered that these men, mainly engineers, had experience in street work that would save us money, and save for their companies, too.

As public officials we made regulations under which street work was to be done, under city ordinances that governed us, and which over the years had been established to guarantee sound, lasting work. It often happened that a utility company engineer, with a street job to do, knew a more economical way of doing it. He seldom argued, but took the rules, and did it the specified way.

That cost his company money, and the cities, too, and it is not necessary to point out what costs mean nowadays to governmental agencies, and utility companies strictly regulated in their rates by state laws.

The national association decided that its work should be viewed through the eyes of the taxpayer and the utility customer paying for service. If we, acting for our cities, made a gas or electric power company spend an unnecessary dime, that dime became a part of the utility company rates, the same as city taxes, and the customer and property owner paid it. Our national officers decided that we should try to direct, through proper channels, the great experience, knowledge, and interest of these outside engineers, toward cutting out unnecessary duplications, and needless regulations.

It so happened that local California chapters shouldered much of the leadership in enlisting these engineers as members, beginning with the northern California chapter in the East Bay region. The idea was backed enthusiastically by Walter N. Frickstad, then city engineer of Oakland, and Carl Froerer, Alameda city manager, and other prominent government officers, and they received such support from utility engineers, contractors, and others that our southern California chapter was urged to get behind the movement. Since then a third chapter has been organized, for San Diego and the Imperial counties, and has had such associate members from the start.

At first, we were frankly skeptical.

"You tell us these outside engineers often know better ways of doing street work, but that they are afraid of us," we objected. "We make the rules and regulations under city ordinances, and throw the book at them. They take the book, and follow the rules, and it costs us both money that might be saved. Do you mean to tell us, who see these engineers every day, that they are afraid to question our rules?"

"Just call up a few of them, and find out what they really do think," insisted the boys up North, and we discovered that they were absolutely right; this lack of confidence and understanding was very strong, because outside engineers reasoned that our regulations were backed by laws, and that argument was useless as long as the laws governed us, and that changing the laws was not their business; so they went ahead and did the job the legal way, regardless of what it cost.

THERE were some amusing experiences when we invited these outsiders to

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attend the meetings, and join the chapter. The invitations were sent to the presidents of utility companies, with the request that they delegate the engineers best fitted to work with us. We wanted the best-informed and most responsible men, and when they first showed up it was as men doing as told by management, wondering what we public works guys were up to now, but willing to see what it was all about. They were cautious not only about talking with us, but with each other—the gas, power, and other utility men in huddles by themselves.

The thaw came when we got well enough acquainted to criticize each other.

"You're the fellow who is costing us \$30,000 a year!" burst out one utility engineer, talking with a public works man; and, letting his resentment flare up, he explained that the rules for doing certain work cost his company that much more than a simpler way. That particular outburst led to a change in methods for this and other companies.

This getting acquainted stage seems to be necessary, but does not last too long, when men who have been strangers learn to know each other across a lunch table. We soon generated confidence, and got into the red meat of the situation, and started studies that will eventually have far-reaching effects on our work.

STREET repairs and service extensions furnish a good example of the possibilities for teamwork, and economies, and also either good or bad public relations for utilities and city officials.

It is not necessary to point out how excavating to get at a leak, or trenching for the laying of pipe or conduit, and the subsequent back filling and repaving are performed right out in the open. The motorist has to inch around barriers, and the pedestrian and property owner remember that only last week the same street was torn up. Utility company, contractors', or city department signs tell who is doing this apparently stupid work, and the taxpayer writes to the newspapers about it.

A fine advertisement for such work has been the pneumatic pavement breaker. This noisy tool cuts out a slab of concrete, leaving a jagged edge. Some considered the broken edges necessary for a good bond when the excavated pavement was replaced.

Then a better tool was developed, in the diamond and similar saws, which cut out a clean slab, leaving smooth edges. Many public works departments specified that where the diamond saw was used, the pavement be broken to make jagged edges around the opening, in the belief that they were necessary for a good bond. It costs the utility company money to break back



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the pavement to comply with the rules, and it is only recently that some city engineers have found that the saw cuts afford a perfectly good bond. Long Beach is notable for changing the rule in our area, and obviously the engineers who take such a step have done some testing, and checking back, to see how paving replaced this way stands up in service.

ANOTHER type of work about which opinions differ is the back filling of excavations. To prevent settling of the earth under new pavement some municipalities require the flooding of trenches before filling, or various degrees of tamping.

Where the work passes from one municipality to another, the rules often change, and must be followed, whatever the expense. Utility companies serving metropolitan Los Angeles have to work under about fifty different municipalities, the requirements sometimes changing every few blocks.

After our get-acquainted period, when everybody felt free to talk about such problems, we made a couple of important discoveries.

First, that there is not enough proved engineering knowledge on such work. The different city departments drew up rules according to their best knowledge for the protection of their streets. They might be working under ordinances that need revising. The outside engineers followed the rules, even when they knew more economical ways of doing the work. It cost everybody money.

Second, we discovered that while discussion can bring out the needs, it is a slow, expensive way to bring about changes and improvements in methods.

Suppose that discussion had resulted in our deciding the one best way to open up and back fill an excavation. Imagine the amount of explanation, and argument, and talk, that would be necessary to convince the officials in fifty different communities in one metropolitan area, and enable them in turn to convince their city fathers, and secure changes in the laws.

As a practical result of such discussion by local APWA chapters over the land our national association has formed the APWA Research Foundation to raise funds and underwrite the cost of submitting these problems to outside agencies, such as the engineering departments of universities, for fact-finding research, and for the dissemination by APWA of the results. Discussion has taught us what we need to know, and research will indicate the best methods, based on tests. With such reports, public works departments and city governments will be able to adopt standard procedures. Tests will show what is necessary, and what is unnecessary, and as always happens when this scientific way of proceeding is followed, there will be savings in time and money, construction, and maintenance.

When utility and other outside engineers sat down to discuss these problems with us they discovered that a considerable amount of delay, duplication, and wasted effort was caused by lack of information and teamwork among themselves, quite apart from public works regulations. Their knowledge of good methods had not been shared. There apparently was no place where they came together to share it, until these chapter meetings began.



Public Relations in Public Business

“‘RELATIONS’ is the word nowadays in public as well as private business. Public relations, and customer relations, and employee and stockholder relations—the head man of even a modest concern must sometimes feel that he has as many kinsfolk to keep informed, and happy, as a Hollywood movie mogul. For a long time we different fellows have been tearing up the streets, and putting them down again, not suspecting that we were even cousins. Suddenly, we have discovered that we all belong to one big family, and are viewing our work from that angle, and the results are amazing.”

SINCE the war, with expanding and changing communities, public works problems have become very much more complex, especially in the West, where new population has to be provided for. Also, there have been great improvements in the machinery for doing our kind of work, which in many cases makes new methods possible, with time and money savings.

In view of what our own chapter has accomplished since 1951, it seems as though, in all the years before, nobody had

climbed into the driver’s seat, to take an over-all view of our work. This has now been done, and the view is astonishing to everybody.

In those five years, however, our chapter has never passed a motion, or made a recommendation, or taken any kind of official action requesting a change in regulations or laws. Our chief purpose has been to make friends among all people concerned with public work, and to inspire discussion, and bring out information. We have learned that the problems are deep-

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seated, and that solutions will have to be determined by engineering research before such regulations can be changed on a national, or even an area-wide, basis.

WE have discovered that some old and hallowed beliefs, dating back before great-granddad's time, are sometimes responsible for rules and methods that hamper us today, and cost money.

For example, sidewalks! a sacred cow so venerable that in our generation hardly any of us question it, or think back into why we have sidewalks, and why we continue to keep utility pipes and conduits out in the roadways, and waste all that valuable space under walks.

If these facilities were placed under sidewalks there would be a difference of less than four inches of concrete and from six to eight inches or more of street surface. Untold savings could be made by utility companies in paving alone, with great savings in labor and time in making repairs that would offer the least interference with traffic. And millions of dollars worth of good will, because interference with motor traffic would be taken over to the sidewalks. Utility engineers would be delighted with such changes, and the results would show up in utility budgets and city taxes.

WHAT are sidewalks so sacrosanct? We have to go back to our cities as they were before most of us were born, when two or three miles from the center was the radius; there were no motorcars; no suburbs; no through highways. People got around in horsecars and buggies, or for the most part walked. The sidewalks were more important than the roadways. The latter were sometimes paved with cedar or

other blocks, which were adequate for the light traffic. Water and gas distribution was underground, but required nothing like the enormous systems of today. Telephone and electric light distribution was on poles, with few customers compared to the present universal enjoyment of such services.

Why are sidewalks almost standardized at 5-foot width?

Part of the pedestrian traffic of that day was the baby carriage. No collapsible swings in which present-day tots take the air in the family car. Some of us are not too young to remember the stately baby carriage—the pram—in which mothers wheeled their successive infants, dressed to the nines in home-ironed frills, for show off with rival babies.

Well, in those days sidewalks had to be wide enough for two prams to pass, and so to this day, in many cases, they are at least five feet wide. Sidewalks came before streets in a new neighborhood. They were absolutely necessary in getting around in all weather, while the street was used only for delivering groceries, and Mother Earth was good enough until the city got around to paving.

The motorcar has changed all that; the traffic has gone out into the street; the dogs bark at rare pedestrians in many neighborhoods; and the least little repair job by a utility company delays the motorist speeding home to his dinner.

Obviously, it is time to examine that whole situation. Under the sidewalks we can find room for the pipes and conduits, eliminating much traffic interference. There has been progress, but not enough.

ASSOCIATE members of our organization are defined as "any person or firm

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having special knowledge, experience, or interest in any phase of public works activity," and are usually selected by heads of outside companies, as executive engineers and others best acquainted with public work, and competent to discuss it.

THAT our southern California utility people were greatly interested was shown when letters were sent to the presidents of a half-dozen major companies, explaining associate membership, and asking that qualified men be sent to our preliminary meeting.

For some reason, mainly doubt about the person to be addressed, the invitation to one other company was held up. A few days before the meeting an engineer with that company called up, asking what he had done to be discriminated against in these invitations. Apparently there had been a comparison of notes, and the head man of this engineer's company wanted to know why he had not been included. Matters were satisfactorily explained, but the incident reflected these utility companies' interest in co-operation.

Associate members do not hold office or vote in the national organization, which is strictly limited to men in governmental

public works departments. But they are very active in local chapters. The president of our own chapter from the first has been a utility executive, William M. Henderson, now retired, but for nearly half a century was a gas distribution engineer with the Southern California Gas Company, credited with many contributions to that field. Local chapters in Philadelphia and New Orleans are headed by utility men. Only a few years ago such members were entirely unknown in our organization, and we were without their experience and knowledge.

OUR own chapter meetings are held every three months, and are scheduled to take as little time out of the working day as possible, combining lunch or dinner with the discussion program. Some local chapters hold monthly meetings. A typical midday session will start around ten thirty in the morning, after men have had time to attend to their office work; will take an hour for lunch, and go on from one to three thirty. An evening session will start around three, after a day's office work, run into the cocktail hour, and dinner, and wind up with an evening session.



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Southern California chapter has a total membership of about two hundred, of which thirty-eight are associate members, usually top management men from utility and other companies. Associates may take out additional memberships for subordinates and employees, and we have a special arrangement for engineering students, paying a small yearly fee. Our meetings are open to everyone, and we send notices to five or six hundred interested persons.

While associate members have no vote in APWA national meetings, they do attend the national conventions, and southern California utility companies have sent their engineers, paying expenses, for what they can learn about public works methods, and have been more than fully repaid in results.

THE meetings are programmed to develop discussion and bring out information on the many aspects of public works. Now the contractors will take charge, and then the utility companies, and again the public governmental works members. Problems are submitted, methods discussed, regulations criticized. These discussions are recorded and digested for study, and further discussion where needed, and eventually, out of this information, we expect to evolve proposals for uniform ordinances, to be submitted to city governing bodies.

We also invite speakers who talk on

technical subjects interesting to our membership, though not always directly connected with our problems. A contractor will describe some of his difficulties on a tunnel job, where water invaded the work; construction against earthquakes is another such subject; the asphalts we use in this region are petroleum-base materials, and a specialist describes more than thirty different types and grades for various purposes; some public works department has developed a more economical method of repaving and describes it to us. One of our most successful and heavily attended sessions last year was scheduled for an outdoor all-day equipment show, with demonstrations of the equipment in actual use in an area of several acres.

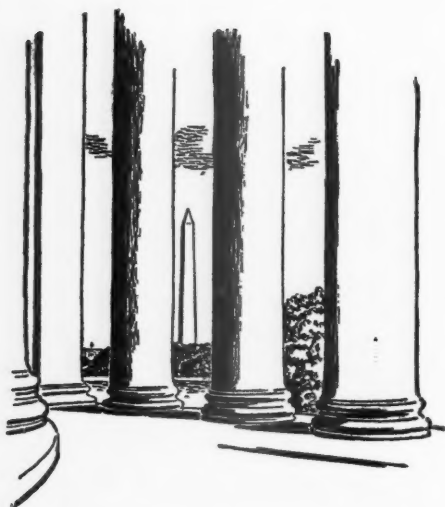
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Important Notice—Change of Address

EFFECTIVE July 1, 1956, the executive, editorial, and advertising offices of PUBLIC UTILITIES FORTNIGHTLY and Public Utilities Reports, Inc., will be changed from the present address (309 Munsey Building) to Suite 332, Pennsylvania Building, 425 Thirteenth Street, N.W., Washington 4, D. C.



Washington and the Utilities

Ike's Key Appointments

PRESIDENT Eisenhower made a strategic move, in the eyes of the political opposition, when he named a former Senator, Fred A. Seaton of Nebraska, to be the new Secretary of Interior. Seaton takes the Cabinet vacancy left by the resignation of Interior Secretary McKay on April 15th (to run against Senator Morse in the Oregon election). Because Seaton is a former Senator, the usual "club house rules" required senatorial courtesy. Seaton was quickly confirmed.

The government power bloc in the Senate had been all set to go into a war dance if President Eisenhower had sent down a nomination of Under Secretary Davis to succeed McKay—or, for that matter, if he had sent to the Senate the name of anybody else. The idea would be not so much defeating confirmation as making some campaign medicine for the coming election. The government power bloc Senators had put the Indian sign on both Davis and McKay for electioneering purposes and had looked forward to a full-dress criticism of the administration's power policies, during any debate on confirming the new Secretary of Interior.

But Seaton served as Senator from Nebraska in 1951 to fill out the unexpired term of the late Senator Wherry. Consequently, all the Senators rallied around the nomination and said what a fine fellow Fred Seaton was. Even such government power bloc stalwarts as Senator Murray (Democrat, Montana) and the two Oregon Democrats, Morse and Neuberger, greeted Seaton's nomination with only minor reservations.

SENATOR Neuberger said that he was pleased that Mr. Eisenhower "repudiated" the policies of McKay and "has gone outside the discredited Interior Department to obtain a new head for that department." He said that "had the President approved of the McKay policies, he would have selected Acting Secretary Davis to continue them. The naming of Mr. Seaton from entirely outside the Interior Department is endorsement of the belief that the McKay régime was a failure." Neuberger, a member of the Senate Interior Committee, said he was not committing himself in advance but "I am far more disposed to vote for Seaton's confirmation than for any previous associate" of McKay.

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FROM a more disinterested point of view, however, the idea that Seaton's appointment would mean any great change in the administration's power policy was not taken so seriously. After all, Seaton has been serving for over a year on the White House staff as deputy to Sherman Adams and assistant to the President. He is not only familiar with but has probably been responsible for White House liaison with the Interior Department on power policy matters.

It is significant that Under Secretary Davis, previously a heavy favorite to succeed McKay, intends to continue on in the Under Secretary's job. Davis said that he is pleased that President Eisenhower appointed Fred A. Seaton as Interior Secretary and he would work with him in carrying out the Eisenhower-McKay partnership power policy. Davis, who was asked to remain in his post by Seaton shortly after Seaton was named to the Cabinet, said he would stay on. "The choice of a Cabinet officer is a very personal thing to the President and it is only natural that he turn to his close associates in a matter involving such a personal relationship."

"I am pleased that Mr. Seaton immediately endorsed and will carry forward the Eisenhower-McKay partnership power policy... As a fellow Nebraskan, I congratulate Secretary Seaton."

THE Democratic national chairman, Paul M. Butler, is not a member of the Senate and does not have to obey the "club house rules." So, it was not surprising when he "demanded" that Seaton answer "basic questions" which would show whether his appointment means "a new policy or is just a new front for continuing the McKay give-away program." Probably nobody, including Butler, seriously expected Seaton to answer the loaded questions on power policy which

Butler propounded. In short, they called upon the administration to reverse former Secretary McKay's policy.

The nomination of David A. Hamil to the post of REA Administrator brings a noncontroversial figure to Washington. Hamil, who makes his home in Atwood, Colorado, is serving his third term as a speaker of the Colorado House of Representatives. He also operates a cattle feed business. Hamil will succeed Anchor Nelsen, who resigned from the REA May 15th in order to run for governor of Minnesota. Hamil's nomination will go to the Senate Agriculture Committee and open hearings will probably take place as a matter of course. Until he is confirmed, the REA will operate under the temporary administration of K. L. Scott, who was designated to act in that capacity last month.

Atomic Development

A BILL (S 3929), proposing governmental indemnity in excess of a limited amount of third-party liability insurance provided by the insurance industry, has been introduced by Chairman Anderson (Democrat, New Mexico) of the Joint Committee on Atomic Energy. Anderson expressed hope that it would prove a satisfactory basis for study and action. If enacted, the bill would delegate to the Atomic Energy Commission the responsibility for determining the amount of basic private insurance or other financial protection required of a licensee as a condition of AEC issuance of each facility license. This amount would fix the level at which the government indemnity would begin to operate.

Reactor operators' liability would be limited to the amount of private insurance coverage, together with the sums made available by the government for third-party claims. The government would

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make a minimum charge per year per reactor for its indemnity coverage. The proceeds would be devoted to the AEC's research and development program on atomic safety. The bill also establishes procedures and standards for the settlement of claims so as to broaden the protection of the public as well as protect the government from excessive settlements.

The Joint Committee intends to hold brief hearings on the Anderson Bill and on the Cole Bill (HR 11242), the latter including AEC's legislative proposal, some time this month. Anderson hopes to report a committee bill for action in both chambers shortly thereafter. The lateness of the session poses the only real obstacle to final passage, although some opposition will be heard from the government power bloc Senators who want the federal government (AEC) to go into the atomic power plant business right away on a big scale.

Is there any point in an international contest for uneconomic power reactor construction? The suggestion that conventional power plant construction may be the quickest way to stay ahead in any "kilowatt" race, based on Russian claims, was made by an AEC spokesman to the Joint Congressional Committee on Atomic Energy. The question came up during consideration of the Gore Bill (S 2725), which is now being heard by the Joint Committee. It would, if enacted, commit the federal government to a program of building and operating six atomic power reactors in various sections of the United States. Here, says Senator Gore (Democrat, Tennessee), "is the opportunity for us to dispel the Soviet propaganda that we are a nation of warmongers." AEC opposed the Gore Bill as being of no value in helping the United States to maintain world atomic power leadership.

AEC is confident the present program insures "genuine leadership based on sound scientific progress and technological development," Chairman Strauss testified. He reaffirmed the AEC policy that the government proceed on research and development and leave the construction and operation of power reactors to industry. Strauss warned against a kilowatt race in atomic reactors with Russia, Britain, and others. Scientific knowledge and development of an economically feasible atomic power plant are more important, he said. The Gore Bill, the AEC chairman declared, would cost upwards of \$600,000,000 and burden the commission with additional administrative and operational problems. Robert C. McKinney, Santa Fe, New Mexico, publisher and head of the Citizens' Panel on Peaceful Uses of the Atom, suggested that a foreign assistance program to aid friendly nations develop competitive atom plants would "dramatically demonstrate that there are more constructive relations possible between countries than uneasy coexistence or armed truces."

Canadian Pipeline

AFIGHT in the Canadian Parliament has not deterred the Dominion government from victory on its controversial bill to finance a section of the Trans-Canada natural gas pipeline. Final passage in the House of Commons followed in course. Approval of the bill under which the Canadian government would lend Trans-Canada Pipe Line, Ltd., \$72,000,000 for a 9-month period to start the Alberta-Winnipeg leg of the proposed 2,200-mile line was accomplished shortly before a June 7th deadline. Trans-Canada will have until December 31st to complete that section of the project.

Government financial support, as ap-

WASHINGTON AND THE UTILITIES

proved, will give Trans-Canada funds on a short-term basis. Trans-Canada, thus aided, can go ahead with construction, otherwise blocked because FPC has not yet handed down important rulings on proposals by Midwestern Gas Transmission Company to import Canadian gas from the proposed pipeline at a Minnesota border point. FPC approval of these applications is considered essential to the private financing of the Trans-Canada project.

The threatened filibuster in the Canadian Parliament, which the government averted by reluctant use of a closure rule, showed a hostility to the extensive American investment in the pipeline company. Charges were made that the Dominion government is preparing to subsidize an effort controlled by American interests. Opponents differ on the alternative methods of construction. Conservatives claim that private Canadian interests are prepared to take over the project with no government help. The socialist opposition claims the proposed government loan would "build enormous profits for United States private buccaneers." They want the government to build and operate the project itself.

Actually, the proposed loan could eventually lead to government construction and ownership, if difficulties develop. Strings attached give the government an option to buy all Trans-Canada stock. The loan is repayable in its entirety, March 31, 1957, and if the loan is not repaid when due, or if there is other default, the government may take over the company at any time.

Niagara Power Stalled

OUTLOOK for compromise in the House on Niagara redevelopment project

legislation is not bright, despite tentative proposals put forward by those who have favored private development over state construction by the New York State Power Authority. The Senate recently passed the Lehman Bill (S 1823) for state development with full federal-type preference in the sale of power to co-ops and public ownership agencies. Unless the House finds some basis for compromising its differences with the Senate, the full Congress will adopt no Niagara legislation to end the long-standing dispute, at least until after the elections.

Representative Miller (Republican, New York), sponsor of the private development bill now tied up with other proposals in the House Public Works Committee, has proposed a state-private enterprise partnership plan which could eventually be a first step in securing a bill acceptable to both houses. His suggestion—that the state build the project, retain the water rights, but lease the power-producing facilities to a private utility—has not yet inspired any apparent interest among state development supporters, even those opposed to the Lehman Bill, because of the "preference" provisions. It is likely that the House Public Works Committee, under Representative Buckley (Democrat, New York), sponsor of a bill similar to the Lehman Bill, will go through the motions of reconsidering the whole subject, in view of the recent Senate approval. The general impression, however, is that there is no practical basis for compromise in this election year.

The government power bloc in the Senate still expects to get the controversial Hell's Canyon bill (with a federal dam proposal) out of the Senate Interior Committee. Chances were also improving that the bill might emerge from the House committee.



Craven to the FCC

FEDERAL COMMUNICATIONS COMMISSION emphasis on closer television frequency allocation controls can be seen in the selection by President Eisenhower of the veteran ex-FCC Commissioner T. A. M. Craven to the vacancy to be created July 1st when Commissioner Webster's term expires. Craven, who served on the FCC from 1937 to 1944, has been engaged in private communications engineering practice in Washington. He is regarded as an outstanding authority on radio-frequency allocation and should strengthen the commission in dealing with its inevitable and thorny problem of establishing ultrahigh-frequency TV as compared with the present conventional and overcrowded very high frequency TV.

Qualified as a Democrat, Craven was expected to get Senate confirmation without opposition, in view of his previous satisfactory record at the same post under the Roosevelt administration. His regulatory position has always been moderate. He might conceivably swing the narrow balance of the 7-man commission on several close questions—such as its recent 4-to-3 vote against liberalizing telephone accounting rules with respect to charitable and other contributions—if and when such questions come before the commission for

Telephone and Telegraph

examination or re-examination during his term.

The FCC is, by custom, kept in political balance of four Republicans and three Democrats. Craven regards himself as an Independent, but apparently the White House put him in the Democratic category for purposes of this appointment.

In accepting Webster's resignation and request for retirement, President Eisenhower voiced "his appreciation" for the years of service by the veteran government official, and offered "best wishes in days ahead." Webster, upon his retirement, will have served about fifty years in either the military or civil service.

Highway Relocation Provision

SENATE passage of federal-aid highway legislation settled the final form of telephone company and other utility reimbursement for facilities relocated. Senate action cleared the way for quick conference compromise to resolve differences on other provisions which would send the long-delayed bill to the White House for signature. The Senate reaffirmed the general acceptance of Congress of the principle of allocating federal funds to utilities which are forced to relocate facilities because of the huge future highway-building program.

TELEPHONE AND TELEGRAPH

The Senate accepted an amendment by Senator Lehman (Democrat, New York) which struck out the Senate version of utility reimbursement in favor of the House formula, with the exception of a 2 per cent limitation. It will be recalled that the former Senate provision permitted reimbursement to states for 50 per cent of the cost of utility relocations on all federal-aid highway systems, where such relocations are not paid by the states, with a limit of 2 per cent of the total federal funds allocated to the state available for such purposes. The House plan the Senate accepted permits reimbursement to the states, where they make such payments to utilities, in the same proportion as federal funds are expended on the project, provided that such payment to the utility does not violate state law or valid contracts between utilities and the state.

IN two respects the Senate action limited relief which utility companies had hoped to obtain from this legislation. First it adopted House language which placed reimbursement on a permissive rather than a mandatory basis. The second, already mentioned, retained the 2 per cent limitation.

It would now appear that utilities in a number of states face the necessity for obtaining commensurate relief at the state legislative levels. In such states statutory or highway administration regulations require advance agreement by utilities to relocate at their own expense facilities located in highway right of way. Federal funds would not be available in such situations as long as such statutory or regulatory provisions remain in effect.

REA's Largest Phone Loan

THE Rural Electrification Administration on June 4th announced a rural telephone loan to the Texas Telephone &

Telegraph Company, Houston, Texas. The amount was for \$6,895,000. This is the largest telephone loan made by REA to date.

It will be used to improve and extend rural telephone service in the following Texas counties:

Anderson	Jasper
Angelina	Johnson
Bosque	Leon
Collin	Madison
Dallas	McLennan
Ellis	Navarro
Falls	Newton
Freestone	Robertson
Grimes	Sabine
Hunt	San Augustine
	Somervell

THE new borrower, a commercial corporation, plans to use these loan funds to provide telephone service for the first time to 6,889 farmers, ranchers, and other rural subscribers in its area. It now serves 7,731 subscribers over 1,780 miles of line. The system presently consists of 10 dial, 8 common battery, and 25 magneto exchanges. The company proposes to add five new dial exchanges, retain the present 10 dial areas, and replace all of the common battery and magneto exchanges with new dial facilities. The borrower will construct 2,267 miles of new line, rebuild 924 miles, and use 806 miles of the existing line in place. The remainder of the line in the present system will be retired.

The expansion and rehabilitation made possible by this loan will enable the Texas Company to offer new and improved service to 14,620 rural subscribers over 3,997 miles of line. A portion of the loan funds will be used to refinance the borrower's existing indebtedness.

W. G. Winters, the president and general manager of the Texas Company, was president of the Texas Telephone Association during 1955, and is now a member of the executive committee of that association.

PUBLIC UTILITIES FORTNIGHTLY

Bill to Limit Consent Decrees

REPRESENTATIVE Roosevelt (Democrat, California) has followed up his recent criticism of the consent decree ending the federal government's antitrust suit against the Bell system by introducing a bill proposing restrictions on such procedure. Roosevelt had criticized the decree whereby the Justice Department withdrew its suit against the American Telephone and Telegraph Company, originally designed to obtain a divorce of Western Electric from the rest of the Bell system, if not an actual dissolution of the manufacturing affiliate.

In his bill (HR 11454), federal courts could not accept the filing of any consent decree until thirty days after the terms of the decree had been published in the *Federal Register* and made open to public inspection. The purpose of this thirty days' notice provision was to allow any person aggrieved by the proposed judgment to make application either to the federal courts or the Federal Trade Commission protesting the granting of such decree. Such protests would have to be made within the 30-day period. The bill would not limit the power, however, of the court to accept or reject the application for a consent decree which would thereupon become final and not subject to further review.

Strike Firings Reviewed

AN arbitration board in Atlanta, Georgia, on May 30th upheld Southern Bell Telephone & Telegraph Company in the discharge of five Tennessee employees during last year's strike, but ordered five others reinstated. Garnel Lee Craig of Knoxville, freed in criminal court at Knoxville last July on a charge of furnishing dynamite for use in destroying terminal boxes in two locations, was one of the

five whose discharges from the company were approved.

In all, the telephone company discharged 245 workers for misconduct during its long difference with the Communications Workers of America. So far the arbitration board, agreed to in the strike settlement, has decided 220 cases. It has ordered reinstatement and back pay for 150 workers while discharge of seventy has been upheld by the board or agreed to by the CWA.

The National Labor Relations Board has issued complaints against 46 locals of the CWA, charging unfair labor practices during the 72-day strike against the Southern Bell Telephone & Telegraph Company in 1955. The locals in as many cities in eight southeastern states were directed to appear before a trial examiner in Atlanta on July 10th. At that time a schedule of hearings to be held at the local level will be arranged. Involved are locals from Georgia, Alabama, Florida, Tennessee, Kentucky, Louisiana, North Carolina, and Mississippi.

THE complaints issued by the board trace to charges by the phone company that union members engaged in intimidation and violence in violation of the National Labor Relations Act during the protracted strike in the spring of 1955. It was explained that if the complaint is sustained by the NLRB, it would enter "cease and desist" orders against the locals, enjoining them from such practices at any future time.

The company filed charges against 115 locals. The NLRB dismissed charges against 41 and has not decided on 28 others.

Alabama locals cited to appear are located in: Birmingham, Decatur, Gadsden, Huntsville, Jasper, Montgomery, Sheffield, and Tuscaloosa.

Financial News and Comment

By OWEN ELY



EEI Forecast of Construction And Peak Loads 1956-59

THE electric power survey committee of the Edison Electric Institute, aided by power area representatives of the utility systems and manufacturers of heavy electric power equipment, has recently published its nineteenth semiannual survey, from which we summarize as follows:

Due to the increasing importance of the air-conditioning load, the statistics of capability in relation to peak loads are prepared on four bases: for median hydro conditions, based on both winter and summer peak loads; and with adverse hydro conditions, for both winter and summer. Thus there are four sets of figures for each of the eight FPC power supply regions, with Region VII (Pacific Northwest) being divided into eastern

and western divisions. The EEI charts, reproduced on pages 912 and 913, give the data only on the basis of median hydro conditions.

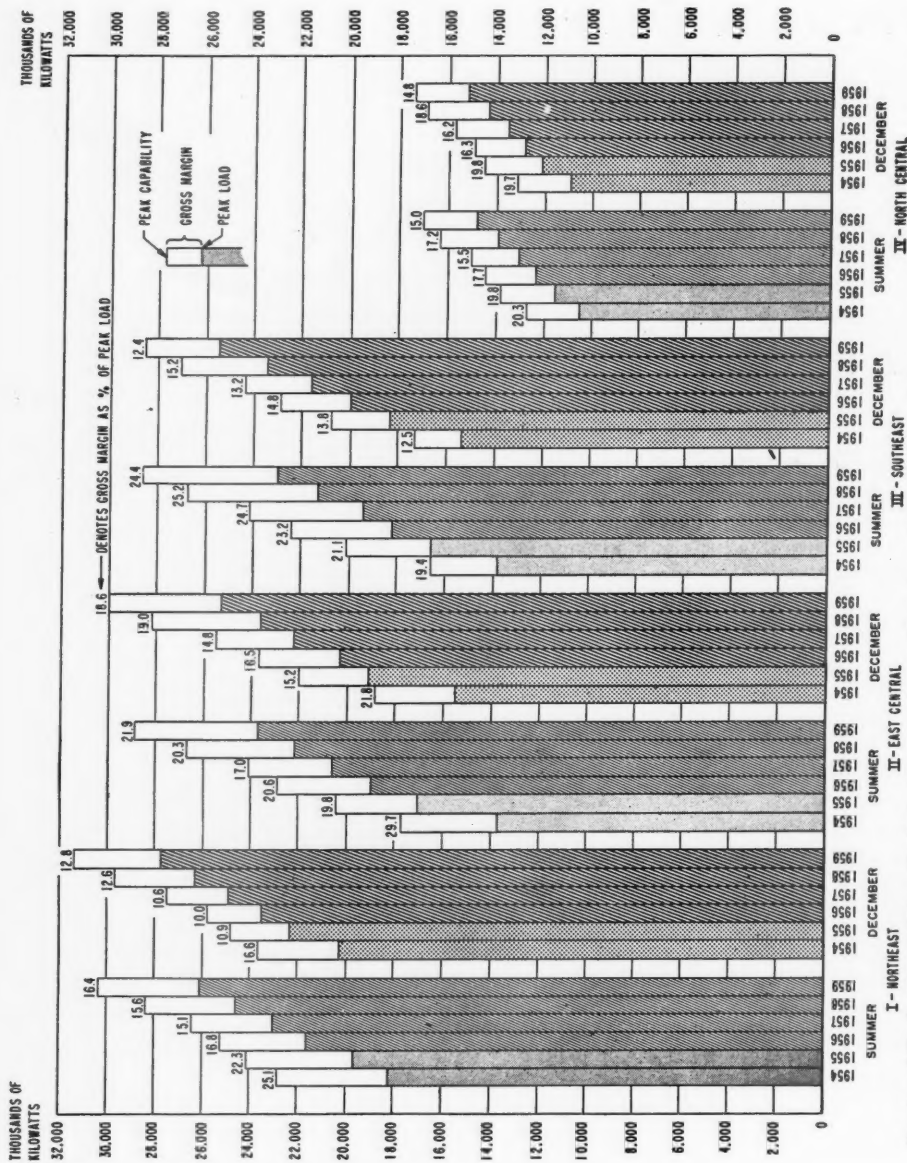
Conditions vary widely among the different regions, both with respect to the time of the annual peak load, and the effect which bad hydro conditions have on the local output of electricity. As to peak load incidence, the Northeast, East Central, Southeast, and Northwest regions have their peak loads in December; South Central's summer load is much heavier than the December; and for the North Central, West Central, and Southwest regions, the two loads are almost the same. The question of adverse hydro conditions is discussed below.

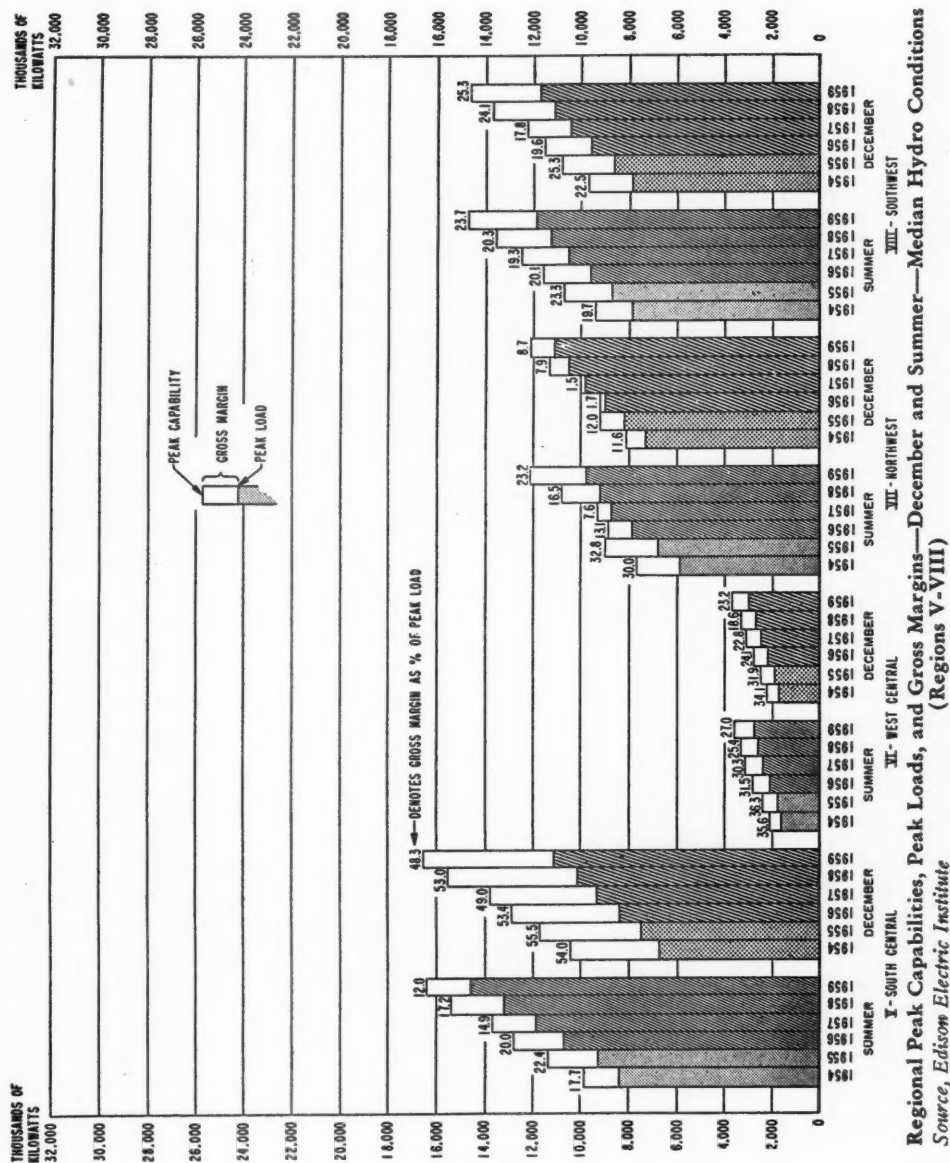
The capability of electric power systems of the United States, including investor-owned plants as well as those operated by federal and local governmental agencies, exceeded 116,000,000 kilowatts at the end of 1955 (with median hydro power) compared with 103,000,000 in 1954, an increase of 13 per cent. Winter forecasts through 1959, on the same basis, are shown in the table on page 914.

THE relatively heavy construction program scheduled for 1958, as compared with 1956 and 1957, presumably reflects substantial advance orders placed

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this year as the result of the sudden upsurge in plans for industrial construction. On the other hand, the relatively small increase for 1956 (now only 7,300,000 kilowatts *versus* 8,300,000 estimated last October) may reflect some cancellation of orders early last year when industrial activity declined rather sharply, as well as the effects of the prolonged strike in the Westinghouse plants. Also the comparison with 1955 may be distorted by the fact that the big EEI and OVEC plants were mainly completed in that year.

Under "adverse" hydro conditions the margin of capability over peak load would be reduced about 2-3 per cent for most areas—in other words the average margin over peak load in 1956 would be reduced to 15 per cent, in 1957 to 14 per cent, and in 1959 to 16 per cent. However, these are merely the averages for the entire country, and because of varying dependence on hydro it is necessary to study the individual regions. Thus, Region I, the Northeast, would suffer only moderately with adverse hydro; it has a huge territorial pool of steam power to draw on, including New York city, etc. Parts of Region III (the Southeast) might suffer a little with adverse hydro, but for the area as a whole the figures show little effect for adverse hydro since the whole area is now pretty well integrated with large steam plants. Region VI (West Central) is sparsely settled and there is a good margin of capability even though adverse hydro conditions would pull the figures down rather sharply. The same is

true for Region VIII (the Southwest) even though there is considerable hydro in the area.

THIS leaves Region VII (the Northwest) as the only "vulnerable" area. There would be no shortage of power in the eastern part of this region with adverse hydro, although the current margin of reserve is small. (By 1958 the margin will rise sharply.) The reason for this appears to be that the flow of the Snake river, which is fed by melting mountain snows, is quite dependable.

However, in the western part of the division (Oregon and Washington principally) hydro is more largely dependent on rainfall and hence is subject to some fluctuation, though apparently not to the same extent as in other hydro regions. In this area, during a winter drought, the power deficit is forecast at 11 per cent for 1956, 12 per cent for 1957, 9 per cent for 1958, and 8 per cent for 1959. Unfortunately, there is normally little or no steam generation in this section, except when stand-by plants are put in service during a drought, and steam power is therefore rather expensive. (Several years ago some utilities in the Northwest were allowed temporary rate surcharges to cover higher steam costs.)

The EEI survey states with reference to the western division of Region VII that "in order to conserve water, if adverse hydro conditions do occur, it will be necessary to drop contractually interruptible loads during part of the time. It



<i>Dec. 31st</i>	<i>Est. Capability (Mill. KW)</i>	<i>% Incr. Over Prev. Yr.</i>	<i>Winter Peak Load (Mill. KW)</i>	<i>% Incr. Over Prev. Yr.</i>	<i>Margin of Cap. over Peak Load</i>
1954	103	—	86	—	21%
1955	116	13%	98	14%	19
1956	124	6	106	8	17
1957	132	7	114	8	16
1958	146	10	122	7	19
1959	154	6	131	7	18

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is estimated, however, that all firm loads can be satisfactorily carried even under adverse hydro conditions." The term "interruptible loads" refers mainly to the aluminum plants, it may be assumed.

A number of large power projects are being planned by groups of utilities in the Pacific Northwest, and by Puget Sound Power & Light in co-operation with public utility districts. However, these large hydro projects, even if they got under way in the near future, would hardly be ready in time to affect the EEI estimates. They are needed, however, to cope with more severe shortages which might develop after 1960—though these might be alleviated by the present trend of heavy industries to go into the Ohio valley where cheap steam power is becoming available.

Interest during Construction Credit Challenged

INTEREST during Construction—"Credit" is an important item in the average utility income account. With some exceptions electric and gas utility companies in recent years have been crediting against fixed charges a special bookkeeping item approximating 6 per cent of the capital funds tied up in plant under construction. Thus Pacific Gas and Electric last year credited \$3,676,852 for interest on construction, compared with interest on funded debt of \$24,462,946; and in 1954 the credit was \$5,656,119 compared with interest of \$23,645,828. The item is therefore a significant one in relation to share earnings, as shown by the accompanying table of 1955 figures on a per share basis, for some of the larger utilities:

New England Electric System	13½
New England Gas & Electric	11
Consolidated Edison	7
Public Service E. & G.	25
Philadelphia Electric	15
Duquesne Light	28
Long Island Lighting	12
New York State E. & G.	36

Commonwealth Edison	20
American Gas & Electric	10
Detroit Edison	5
Consumers Power	16
Ohio Edison	22
Northern States Power	8
Southern Company	5
Virginia Elec. & Power	17
Florida Power Corp.	19
Middle South Utilities	6
Central & South West	10
Public Service of Colorado	19
Utah P. & L.	17
Pacific Gas & Electric	23
Southern Calif. Edison	14

UNDER the Uniform System of Accounts, but subject, of course, to regulatory policy, the individual utility company has the option of including plant under construction in the rate base, or of adding accumulated "interest during construction" to the rate base at the time the plant is placed in service. Assuming that the rate used in determining the credit is the same as the rate of return allowed on the rate base, the results should work out about the same so far as stockholders are concerned.

However, the fact that the credit is used in earnings as reported to stockholders and to the financial services sometimes raises questions regarding the resulting fluctuations in earnings per share of common stock. It has become common practice in the financial district for utility analysts and investment advisers to calculate the amount of the credit per share for a recent period (as in the accompanying table) and also to seek advance information from utility executives as to the estimated amount of the credit over a current or future twelve months' period. The uninitiated investor, however (who does not have the benefit of advice from analysts or advisers), may be somewhat handicapped in appraising the company's stock by his ignorance of the fact that the item is merely a bookkeeping adjustment and subject to considerable fluctuation. The writer does not recall any annual report to stockholders which called atten-

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tion specifically to the effect of the credit on share earnings, though occasionally this is covered in talks at "due diligence" meetings, addresses before a Society of Security Analysts, etc.

THERE is some question in the writer's opinion whether the credit for interest on construction properly belongs "below the line" in fixed charges. Logically it represents potential net operating income from plant under construction. However, to add it to net operating income might prove confusing from a regulatory point of view. The best solution might be to place it with Other Income so that it would be included in Gross Income available for fixed charges.

The present practice of including the item in fixed charges seems bad from a statistical viewpoint, as pointed out in this department some time ago. It tends to distort one of the most familiar yardsticks used in appraising bonds and preferred stocks—number of times fixed charges (and fixed charges plus preferred dividends) are earned. The table below is a comparison, assuming a credit for interest on construction of \$500,000.

THE practice of using the credit raises other interesting questions of a technical nature. R. Hovey Tinsman, vice president of Iowa-Illinois Gas & Electric Company, and Donald H. Shaw, assistant treasurer, have prepared some detailed technical studies of the interest on construction credit. Regarding the regulatory phase of the problem, we quote as follows from Mr. Shaw:

There seems to be no clear-cut answer to the question where the burden of compensating the utility for funds invested in construction should fall. The burden is borne by the present consumer if the utility earns on work in progress; consumers served during the life of the plant bear the burden if the utility capitalizes interest charges. A simple answer would be that the company should capitalize interest and charge future consumers since the use of funds for construction is simply an added cost of construction that should be paid by those benefiting from the plant. On the other hand, it can be said that what we are trying to do is not to provide a return on plant to be placed in service in the future but to compensate the utility for the use now of its present funds utilized for construction of plant to meet the demonstrated and anticipated requirements of areas which it is obliged to serve. This argument can be supported by adding that construction is undertaken in the light of existing economic conditions, such as price levels, rates of production, demands for utility service, and per capita income, and is related to them. Further, heavy construction will generally take place during periods of high economic activity, when the consumer can best pay the cost of utility service. . . .

If a utility has been capitalizing interest and anticipates switching to earning on work in progress, it probably would have to secure a rate increase in order to earn the allowable return after making the change if it expects fairly



	<i>Int. Credit In Fixed Charges</i>	<i>Int. Credit In Other Income</i>	<i>Interest Credit Omitted Entirely</i>
Gross Income	\$6,000,000	\$6,500,000	\$6,000,000
Fixed Charges	2,000,000	2,500,000	2,500,000
No. Times Charges Earned	3.0	2.6	2.4

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heavy construction expenditures. Rate relief might not be required where the utility was earning more than an allowable return before making the change. The governmental body charged with setting rates would probably look with disfavor upon an application for a rate increase necessitated solely by the utility's proposed change of accounting procedures. A preferable method for changing to earning on work in progress would be to make the shift when earnings were in excess of an allowable return. Thus the utility would have reasonable assurance of getting the return necessary to compensate it for making the change; the consumer would benefit since rates of return would in effect be adjusted to conform more closely to allowable standards. . . .

MR. SHAW has prepared an interesting but intricate mathematical study which develops a comparison of *present worth* of the right to earn on work in

progress, with the present worth of the right to earn on that portion of plant account representing capitalized "interest" during construction. This required an examination of the effects of income taxes, equity-debt ratios, depreciation, etc. Without going into details, his results worked out in favor of the practice of "earning on work in progress."

Also, he pointed out, "The practice of capitalizing interest during construction results in unrealistic and undesirable fluctuations in reported net income. The entry of interest during construction in the income account does not represent actual income during the period covered by the report but reflects instead the write-up of plant account during that year. To the uninformed investor who makes no allowances for the nature of the credit to income, the effect on including interest during construction in the income account is to inflate reported earnings, on a present value basis, to the extent of about \$1.71 for every \$100 plant placed in service."



RECENT FINANCIAL DATA ON GAS UTILITY STOCKS

Rev. (Mill.)			5/29/56 Price About	Divi- dend Rate	Approx. Yield	— Share Earnings* —			Price- Earnings Ratio	Div. Pay- out	Approx. Common Stock Equity
						Cur- rent Period	% In- crease	12 Mos. Ended			
Pipelines											
\$ 4	O	Alabama-Tenn. Nat. Gas	19	\$.80h	4.2%	\$1.41	7%	Mar.	13.5	57%	37%
15	O	Commonwealth Nat. Gas	30	1.20	4.0	2.61	9	Dec.	11.5	46	45
16	O	East. Tenn. Nat. Gas. . .	10	.60	6.0	.68	21	Mar.	14.7	88	18
48	S	Mississippi Riv. Fuel . . .	32	1.40	4.4	2.06	10	Mar.	15.5	68	52
69	S	Southern Nat. Gas	35	1.80	5.1	2.70	68	Mar.	13.0	67	33
200	O	Tenn. Gas Trans.	28	1.40	5.0	1.83	14	Mar.	15.3	77	22
163	O	Texas East. Trans.	25	1.40	5.6	1.97	31	Dec.	12.6	71	23
71	O	Texas Gas Trans.	23	1.00	4.3	1.93	19	Mar.	11.9	52	27
75	O	Transcont. Gas P. L. . . .	16	.90	5.6	1.21	17	Mar.	13.2	74	19
Averages					4.9%				13.5	67%	
Integrated Companies											
127	S	American Nat. Gas	61	\$2.20	3.6%	\$4.15	16%	Mar.	14.7	53%	35%
50	A	Arkansas-Louisiana Gas . .	18	1.00	5.6	1.30	182	Mar.	13.8	77	53
44	O	Colo. Interstate Gas	66	1.25	1.9	5.53	NC	Mar.	11.9	23	35
304	S	Columbia Gas System	15½	.90	5.8	1.36	28	Mar.	11.4	66	44
8	O	Commonwealth Gas	6½	(a)	4.0a	.26	D51	Dec.	—	—	72
10	A	Consol. Gas Util.	14	.90	6.4	1.36	52	Jan.	10.3	66	53
240	S	Consol. Nat. Gas	36	1.70	4.7	3.04	12	Mar.	11.8	56	70
178	S	El Paso Nat. Gas	50	2.00	4.0	3.72	101	Mar.	13.4	54	22
40	S	Equitable Gas	28	1.50	5.4	2.15	13	Mar.	13.0	70	32
15	O	Kansas-Nebr. Nat. Gas . .	34	1.60	4.7	2.58	36	Mar.	13.2	62	32

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88	S	Lone Star Gas	31	1.60	5.2	2.44	29	Mar.	12.7	66	39
23	S	Montana-Dakota Util. ...	24	1.00	4.2	1.48	10	Mar.	16.2	68	30
21	O	Mountain Fuel Supply ...	25	1.20	4.8	1.50	18	Dec.	16.7	80	59
72	S	National Fuel Gas	19	1.00	5.3	1.68	24	Mar.	11.3	60	58
108	S	Northern Nat. Gas	42	2.20	5.2	3.68	21	Mar.	11.4	60	34
37	S	Oklahoma Nat. Gas	26	1.40	5.4	2.25	38	Mar.	11.6	62	32
99	S	Panhandle East. P. L. ...	81	3.00	3.7	5.01	18	Dec.	16.2	60	32
11	O	Pennsylvania Gas	24	1.00	4.2	1.63	D10	Dec.	14.7	61	68
159	S	Peoples Gas Lt. & Coke ..	157	8.00	5.1	12.77	23	Mar.	12.3	63	40
31	O	Southern Union Gas	21	1.12	5.3	1.69	28	Dec.	12.4	66	34
215	S	United Gas Corp.	29	1.50	5.2	2.08	4	Mar.	13.9	72	41

Averages

4.7%

13.1

62%

Retail Distributors

23	A	Alabama Gas	34	\$1.50	4.4%	\$2.23	20%	Mar.	15.2	67%	44%
38	O	Atlanta Gas Light	26	1.20	4.6	2.11	23	Sept.	12.3	57	40
5	O	Berkshire Gas	15	.80	5.3	.97	111	June	15.5	82	37
4	O	Bridgeport Gas	27	1.50	5.6	2.35	23	Mar.	11.5	64	44
4	O	Brockton-Taunton Gas ..	14	.70	5.0	.85	30	Dec.	16.5	82	36
55	S	Brooklyn Union Gas	33	1.80	5.5	2.90	12	Mar.	11.4	62	47
1	O	Cascade Nat. Gas	104	—	—	Deficit	—	Dec.	—	—	41
29	O	Central Elec. & Gas	16	.80	5.0	1.58	14	Mar.	10.4	51	16
11	O	Central Indiana Gas	14	.80(b)	5.7	.96	D12	Mar.	14.6	83	64
5	O	Chattanooga Gas	6	.30	5.0	.43	34	Feb.	14.0	70	43
61	O	Gas Service	23	1.36	5.9	1.85	—	Dec.	12.4	74	38
6	O	Hartford Gas	36	2.00	5.6	2.50	15	Mar.	14.4	80	52
2	O	Haverhill Gas	48	2.60	5.4	4.14	21	Apr.	11.6	63	55
15	O	Houston Nat. Gas	24	1.00	4.2	1.82	D12	July	13.2	55	23
16	O	Indiana Gas & Water ...	19	1.00	5.3	1.59	23	Apr.	11.9	63	47
6	A	Kings Co. Lighting	14	.90	6.4	1.12	D6	Dec.	12.5	80	28
40	S	Laclede Gas	16	.72	4.5	1.20	22	Mar.	13.3	60	36
4	O	Michigan Gas Utils.	19	.90	4.7	1.31	5	Dec.	14.5	69	43
4	O	MidSouth Gas	124	—	—	.72	71	Dec.	17.4	—	34
37	O	Minneapolis Gas	25	1.30	5.2	1.87	13	Mar.	13.4	70	38
14	O	Mississippi Valley Gas ..	20	1.12(d)	5.6	1.86	15	Mar.	10.8	60	28
5	O	Mobile Gas Service	25	1.00	4.0	1.41	11	Mar.	17.7	71	33
7	O	New Haven Gas	30	1.60	5.3	2.39	7	Dec.	12.6	67	65
10	O	New Jersey Nat. Gas ...	23	1.20	5.2	2.11	40	Mar.	10.9	57	31
70	O	North. Illinois Gas	18	.80	4.4	1.37	17	Mar.	13.1	58	49
8	O	North Penn Gas	15	1.00	6.7	.83	D33	Dec.	18.1	120	57
183	S	Pacific Lighting	39	2.00	5.1	2.84	10	Mar.	13.7	70	44
15	O	Pioneer Natural Gas	25	1.32	5.3	1.89	10	Dec.	13.2	72	53
13	O	Portland Gas & Coke ...	31	1.00	3.2	2.04	49	Dec.	15.2	49	40
2	O	Portland Gas Light	11	.75	6.8	1.22	13	Dec.	9.0	61	25
8	A	Providence Gas	10	.56	5.6	.59	16	Dec.	16.9	95	64
3	A	Rio Grande Valley Gas ..	3	.15	5.0	.26	12	Dec.	11.5	58	63
4	O	South Atlantic Gas	12	.70	5.8	.89	12	Dec.	13.5	79	35
9	O	South Jersey Gas	26	1.40	5.4	1.69	7	Dec.	15.4	83	52
24	S	United Gas Impr.	37	2.00	5.4	2.33	10	Mar.	15.9	86	64
33	S	Washington Gas Light ..	39	2.00	5.1	3.22	23	Mar.	12.1	62	42
6	O	Wash. Nat. Gas	15	.40	2.7	.65	D11	June	—	62	60
6	O	Western Kentucky Gas ..	13	.60	4.6	1.03	29	Dec.	12.6	58	35

Averages

5.1%

13.6

69%



RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER STOCKS

Rev. (Mill.)			5/29/56 Price About	Divi- dend Rate	Approx. Yield	— Share Earnings* —		Price- Earnings Ratio	Div. Pay- out	Approx. Common Stock Equity	
						Cur- rent Period	% In- crease 12 Mos. Ended				
Communications Companies											
Bell System											
\$5,297	S	Amer. T. & T. (Cons.) ..	180	\$9.00	5.0%	\$13.11**	8%	Feb.	13.7	69%	64%
220	A	Bell Tel. of Canada	48	2.00	4.2	2.43	5	Dec. '54	19.8	82	63
37	O	Cin. & Sub. Bell Tel.	86	4.50	5.2	5.16	26	Dec. '54	16.7	87	100
187	A	Mountain Sts. T. & T. ...	129	6.60	5.1	8.80	17	Feb.	14.7	75	78
285	A	New England T. & T. ...	141	8.00	5.7	8.89	35	Mar.	15.9	90	60

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715	S	Pacific T. & T.	137	7.00	5.1	8.67	21	Feb.	15.8	81	58
89	O	So. New England Tel. ..	39	2.00	5.1	2.11	D5	Dec.	18.5	95	64

Averages

5.0%

16.4 83%

Independents

—	O	Anglo-Canadian Tel.	28	\$.60	2.1%	\$1.59	43%	Dec. '54	17.6	38%	—
30	O	British Columbia Tel. ...	50	2.00	4.0	2.71	20	Dec. '54	18.5	74	34%
2	O	Calif. Interstate Tel.	13	.70	5.4	1.04	NC	Dec.	12.5	67	34
13	O	Calif. Water & Tel.	18	1.00	5.6	1.46	20	Dec.	12.3	68	42
12	O	Central Telephone	22	1.00	4.5	1.98	24	Mar.	11.1	51	23
3	O	Commonwealth Tel.	15	.80	5.3	1.12	67	Dec. '54	13.4	71	35
38	O	Continental Tel.	36	1.20	3.3	2.25	38	Mar.	16.0	53	23
3	O	Florida Telephone	19	.80	4.2	.88	10	Dec.	21.6	91	40
210	S	General Telephone	42	1.60	3.8	2.63	27	Dec.	16.0	61	34
5	O	Inter-Mountain Tel.	14	.80	5.7	.95	9	Dec.	14.7	84	55
19	S	Peninsular Tel.	39	1.80	4.6	2.40	14	Mar.	16.3	75	46
19	O	Rochester Tel.	19	1.00	5.3	1.45	48	Dec.	13.1	69	34
3	O	Southeastern Tel.	17	.90	5.3	1.36	43	Sept.	12.5	66	42
8	O	Southwestern States Tel.	18	1.12	6.2	1.37	31	Dec.	13.1	82	42
28	O	United Utilities	22	1.20	5.5	1.70	12	Mar.	12.9	71	31
1	O	West. Carolina Tel.	16	.70	4.4	1.18	17	Dec.	13.6	59	52
12	O	West Coast Tel.	18	1.00	5.6	1.55	28	Mar.	11.6	65	43
242	S	Western Union Tel.	20	1.00	5.0	2.10	39	Dec.	9.5	48	85

Averages

4.8%

14.2 66%

Transit Companies

22	O	Baltimore Transit	13	\$1.60	12.3%	\$1.27	120%	Dec.	10.2	126%	40%
13	O	Cincinnati Transit	5	.30	6.0	.34	16	Dec.	14.7	88	43
9	O	Dallas Transit	7	.35	5.0	1.10	21	Dec. '54	6.4	32	71
225	S	Greyhound Corp.	15	1.00	6.7	1.18	D12	Dec.	12.7	85	52
21	O	Los Angeles Transit	15	1.40	9.3	.94	D5	Dec.	16.0	149	89
27	S	Nat. City Lines	24	2.00	8.3	2.74	D1	Dec.	8.8	73	93
31	S	N. Y. City Omnibus	29	2.00	6.9	2.85	D3	Dec.	10.2	70	100
13	O	Niagara Frontier Trans. ..	8	.15	1.9	1.47	—	Dec.	5.4	10	78
70	O	Phila. Transit	15	.30	2.0	1.27	390	Dec.	11.8	24	42
6	O	Rochester Transit	5	.40	8.0	.43	D2	Dec.	11.6	93	40
23	O	St. Louis P. S.	13	1.40	10.8	.68	D15	Dec.	19.1	206	91
17	S	Twin City R. T.	16	1.60	10.0	Deficit	—	Dec. '54	—	—	43
22	O	United Transit	6	—	—	1.03	94	Dec.	5.8	—	48

Averages

7.3%

11.1 66%

Water Companies

Holding Companies

34	S	American Water Wks. ..	10	\$.50	5.0%	\$1.05	21%	Mar.	9.5	48%	16%
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Operating Companies

4	O	Bridgeport Hydraulic ...	30	\$1.60	5.3%	\$2.04	12%	Dec.	14.7	78%	57%
11	O	Calif. Water Service	42	2.20	5.2	2.75	15	Mar.	15.3	80	29
2	O	Elizabethtown Water ...	39	1.00	2.6	1.27	D5	Dec. '54	—	79	—
9	S	Hackensack Water	42	2.00	4.8	3.60	10	Dec.	11.7	56	37
8	O	Indianapolis Water A. ..	42	.80	1.9	3.42	27	Dec.	12.3	23	33
5	O	Jamaica Water	35	2.00	5.7	2.83	D5	Mar.	12.4	71	25
4	O	New Haven Water	58	3.00	5.2	3.32	D3	Dec.	17.5	90	63
2	O	Ohio Water Service	28	1.50	5.4	2.46	56	Mar.	11.4	61	38
7	O	Phila. & Sub. Water	32	.50(e)	1.6	2.20	11	Dec.	14.5	23	29
2	O	Plainfield Un. Water ...	65	3.00	4.6	5.47	37	Dec.	11.9	55	40
3	O	San Jose Water	47	2.00	4.3	3.37	3	Apr.	13.9	59	43
9	O	Scranton-Springbrook ...	18	.90	5.0	1.38	12	Dec.	13.0	65	31
4	O	Southern Calif. Water ...	14	.80	5.7	1.08	27	Dec.	13.0	74	34
3	O	West Va. Water Serv. ..	29	1.40	4.8	1.55	14	Mar.	18.7	90	17

Averages

4.4%

13.9 65%

A—American Stock Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. *Earnings are calculated on present number of shares outstanding, except as otherwise indicated. **On average shares. (a)—Paid 4 per cent stock dividend. (b)—Paid 10 per cent stock dividend. (c)—Paid 5 per cent stock dividend. (d)—Paid 25 per cent stock dividend. (e)—Also paid 5 per cent stock dividend. (h)—Paid 25 per cent stock dividend. NC—Not comparable. NA—Not available.



What Others Think

Private Enterprise Can Win Natural Resources Issues

"POLITICAL" (*i.e.*, "public") power may not be in substantial decline, but thoughtful observers might agree with Kinsey M. Robinson, president of The Washington Water Power Company, who believes that its progress has been slowed, and may some day be halted by the "positive action" of those who understand the threat it poses to the nation's economic fabric.

Addressing a Chamber of Commerce of the United States "natural resources" breakfast in Washington, D. C., recently, The Washington Water Power president gave a plain answer to the question "Just who, at this point, should further develop our water resources?" which only those supporting an unyielding policy favoring political control are likely to find objectionable.

He said:

I know better than to depend upon inflexible government for a wealthier economy, for better communities, or for national security over the long pull.

I believe that America's future is best served by the same incentives and philosophies that contributed to America's greatness in the past.

I want no part of a totally federalized, or socialized planned, economy. I believe that regional development can

best come about by the people who live in that region.

I am converted to the principle that river development involves not one, but many segments.

If we are to escape future doles and restraints; if we are to preserve our nation's priceless individual initiative; if we are to receive tax benefits from huge power developments, then our resources must be analyzed and developed by individuals, business institutions, and communities, as well as by government. . . .

And being thus convinced, most people who know me can rest assured that I will not remain idle, but will do something to reach this desired goal.

If you were to ask me the question, what has been done, and what may yet be done to change the course of a river that appears to run toward federalized power, I must answer that I know only one thing—at least only one thing I dare generalize upon for the moment.

That thing is called positive action.

We must put into the back of our minds past claims by federal agencies that they and they alone are running the show.

We must again take the initiative for ourselves. In this age of shifting pressures, when new alliances and partner-

WHAT OTHERS THINK

ships are formed almost daily, and when slight gains made by the opposition too often become permanent, it is indeed true that he who hesitates is lost.

MR. ROBINSON believed it was initiative and determined action that caused public utility officials to appear as witnesses before Appropriations committees in the expansive days of the New Deal, when the federal government proposed to duplicate their transmission lines in the Pacific Northwest. Deliberate and positive action was required, he asserted, when it was proposed, for example, to sell Washington Water Power Company to a group of PUD's, at a time when American Power & Light was dissolving and disposing of its holdings.

He added that it was the diligent pursuit of a well-understood goal that resulted in Pacific Power & Light Company remaining a private company, instead of being broken up and sold to a number of public utility districts, at a time when its common stockholder, American Power & Light Company, believed all private utilities in the Northwest were to be socialized.

A proposal made by Washington Water Power to take over Puget Sound Power & Light Company by merger, at a time when Puget management appeared ready to sell to the public utility districts, resulted favorably for Puget's customers and stockholders and for the entire Northwest, the speaker declared. According to Mr. Robinson, this was an optimistic movement, the starting of positive lines of force toward survival, that blunted PUD attacks against Puget. It encouraged Puget's management to persevere as a private enterprise.

"I have not found myself discouraged by the fact that people opposed to private participation in resource development have uncomplimentary names for this

plodding toward survival," the speaker declared. "In fact, I cannot but find amusement in the way enemies of private development refer to personal efforts as 'meddling,' 'interference,' and 'obstruction,'" he said.

CONTINUING in the same vein, Mr. Robinson added:

It intrigues me no end that these political power stalwarts overlook the amazing fact that the only two areas in the U. S. A. which face a current or prospective power shortage are the two areas now served predominantly by federal power.

It also intrigues me that these same enthusiasts are blind to the fact that practically all new developments in power production, transmission, and distribution, including research and risk, rate making and bookkeeping, pole setting and appliance adaptation, came from private utilities and their private enterprise suppliers, much of whose research money came from these same utilities.

Also, for my part, results have been so encouraging that the headaches associated with the conflict and rugged effort are more than justified.

The recent election in Stevens county, Washington, after some ten years of litigation, at a time when legal restraint gave no hope of relief from condemnation of our company properties by the PUD—I say this election proved again that taking the initiative, persevering in the face of discouragement, can and will pay off. . . .

Final victory is what counts in any conflict with Socialism, and they can hardly laugh off a vote of 71.8 per cent for private enterprise.

In Mr. Robinson's opinion, a big lift

PUBLIC UTILITIES FORTNIGHTLY



"I WRITE FPC, WASHINGTON, D. C. — THEY CALL ME HEAP, BIG LIAR!"

came the way of the power companies when the present administration adopted a power partnership policy favorable to private development. At the time, federal appropriations were not coming fast enough to keep construction ahead of demand. And, by 1955, 70 per cent of the salable power from federal projects was delivered to local public bodies, or was distributed directly by the federal government to its nonutility direct customers. "If the present administration had not liberalized federal policies pertaining to construction, I can assure you private utilities would indeed be

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headed for extinction," the WWP official asserted.

Another problem has been partially solved in favor of private enterprise in recent years, according to Mr. Robinson. He was referring to the past prevalent assumption that private capital is unable to construct large hydroelectric projects heretofore planned by government. In the fall of 1953, he said, four Pacific Northwest private utilities joined for purposes of constructing and operating power developments which might be considered too large for any one company to finance.

WHAT OTHERS THINK

THE four companies—Montana Power, Pacific Power & Light, Portland General Electric, and The Washington Water Power Company—serve over 800,000 customers, representing nearly 50 per cent of all power users in Oregon, Washington, Montana, and northern Idaho, according to Mr. Robinson.

He accounted for the activities of this group as follows:

The new generating company, known as the Pacific Northwest Power Company, with an authorized capital stock of \$50,000,000, received preliminary permit from the Federal Power Commission to investigate major dam sites in north Idaho at Bruces Eddy on the North Fork of Clearwater river, and at Penny Cliffs on the Middle Fork of the same stream.

The Penny Cliffs site was dropped on account of fish problems.

In November of 1954, the Pacific Northwest Company filed an application for a preliminary permit to study the feasibility of another project of 1,183,000 kilowatts on the Snake river, some 330,000 kilowatts to be developed at Mountain Sheep, and 850,000 kilowatts at Pleasant Valley.

The Northwest Company has already spent about \$1,750,000 on preliminary engineering and drilling and other development work.

It is hoped that the license will be granted and that construction can be started late this year.

The total cost will be about \$213,000,000, including transmission facilities. Turbines to be installed at Mountain Sheep will be in physical size the largest ever built, only slightly larger than our Noxon turbines.

At Pleasant Valley, the plant's big outdoor-type hydro generators will be the largest capacity ever constructed,

and we make the boast that a pair of 700-ton capacity gantry cranes at the powerhouses will be unequaled in size the world over.

I think it can be demonstrated that private enterprise is capable of efficient river development as well as governmental agencies.

THE WWP official made it plain that all private utilities in the Pacific Northwest are today moving ahead rapidly. "... you will hear more about developments by Idaho Power Company on the Snake, Portland General Electric developments on the Deschutes and the Clackamas, Montana Power on the Missouri, Montana and Pacific Power on the Big Horn, Pacific Power on the Lewis, and so on," he said.

Mr. Robinson espoused the bill introduced in Congress by Representative Coon (Republican, Oregon) last year which would permit partnership construction of the John Day project on the Columbia river, costing some \$310,000,000. He said the idea is a "good example of partnership advocated by the present administration," and "offers a sensible way to get new projects under construction without loss of time and without excessive drain upon the already overloaded taxpayer."

All in all, Mr. Robinson stated, private utilities in the Pacific Northwest either are building, or they are investigating, some 45 new hydroelectric projects. The federal government also is going ahead with important projects, and several PUD's, or PUD combinations, are in process of power developments, according to the WWP president. At present, he said, the Bonneville Power Administration today supplies all or a substantial part of the requirements of 25 public utility districts, of 18 municipalities, and 38 co-operatives, at the same time supplying about 20 per cent of

PUBLIC UTILITIES FORTNIGHTLY

the requirements of nine private utilities, including secondary power. The Pacific Northwest taken as a whole receives some 63 per cent of its electric energy from the federal government, according to these figures.

WHAT can be proposed as a workable policy regarding future developments? Mr. Robinson answered the question as follows:

Certainly the federal government, and Congress, can contribute much to future resource development if it will examine political philosophies and favoritism that have grown from legislation already enacted, and restate a firm policy that serves all the people, rather than the preferred few.

Such a policy would include the many interests that have a voice in water resource development today. It would include, as the U. S. Chamber clearly indicates, consideration for localities and states; it would include the element of feasibility and cost; it would include more orderly bookkeeping, so that such fiascoes as we see in the TVA could not be possible; and, finally, it would include co-ordinated planning by established agencies, in order to eliminate the confusion that exists at present.

Mr. Robinson went on to point out that somewhere along the way, if partnership is to work and be successful, something must be done to counteract the flood of objections that spring from a small but highly vocal group advocating complete federal

control of power, and the complete elimination of private enterprise, that retards development.

IN reference to project after project, according to Mr. Robinson, the same anguish is heard. First, private interests are said to denude forest and agricultural lands. Next, it is said that government could provide a few more kilowatts, by flooding more land to make greater storage and building uneconomical projects. Or the talk is about ownership by all the people regarding these power sites, saying in the same breath that private utility customers have no claim on federal power that may be generated. Always from the actor's hat, these public power magicians pull out what seems to be a reasonable protest, Mr. Robinson stated. Without exception, so they claim, such evils as waste, tax losses, inefficiency, and shortages are instantly solved under federal control. The attention given to these public power advocates in newspapers and radio is almost unbelievable, in the speaker's opinion.

It is also quite unbelievable, he said, that the famous Hells Canyon Association, located at Lewiston, Idaho, which makes the headlines every time an officer causes his vocal chords to vibrate, had only thirteen people in attendance at its last annual meeting, and members not attending were elected to office.

Mr. Robinson stated that, in the absence of a bold spokesman to contradict their charges and claims, millions of good Americans believe the sheer propaganda that these political zealots release.

Public Works Projects and the Budget

ABUDGET is but a means of establishing priorities on a rational, sensible basis in order to reach desirable objectives. This thought led Robert E. Mer-

riam, assistant to the Director of the Budget Bureau, to discuss a subject of continuing interest and controversy—Public Works Projects and the Budget—

WHAT OTHERS THINK

during a recent May conference of the National Rivers and Harbors Congress in Washington, D. C.

The speaker remarked that President Eisenhower has placed among his most important objectives the wise conservation, development, and use of the nation's water resources and has sought the formulation of proper policies and orderly programs to best realize their full potential. The budget, he said, is a means to this end. It is not merely a book of figures showing the funds which the government will receive and spend. It is the administration's recommendation for a comprehensive plan of action to meet our national objectives in a particular year.

Mr. Merriam further explained that the budget recommendations must represent a balance, based on the relative urgency in meeting many national objectives, keeping in mind financial considerations. It requires balancing the needs for public works against those for national defense, health and welfare, and a host of other competing services. And even within the public works area, the speaker continued, it requires a determination as to whether, for example, \$100,000,000 spent on water resources development would contribute more to the nation than the same amount spent on highways, hospitals, research facilities, or some or all of these facilities. It means that in some cases funds must be withheld for desirable programs or activities in one area in order to make available dollars needed for necessary programs or activities in other areas.

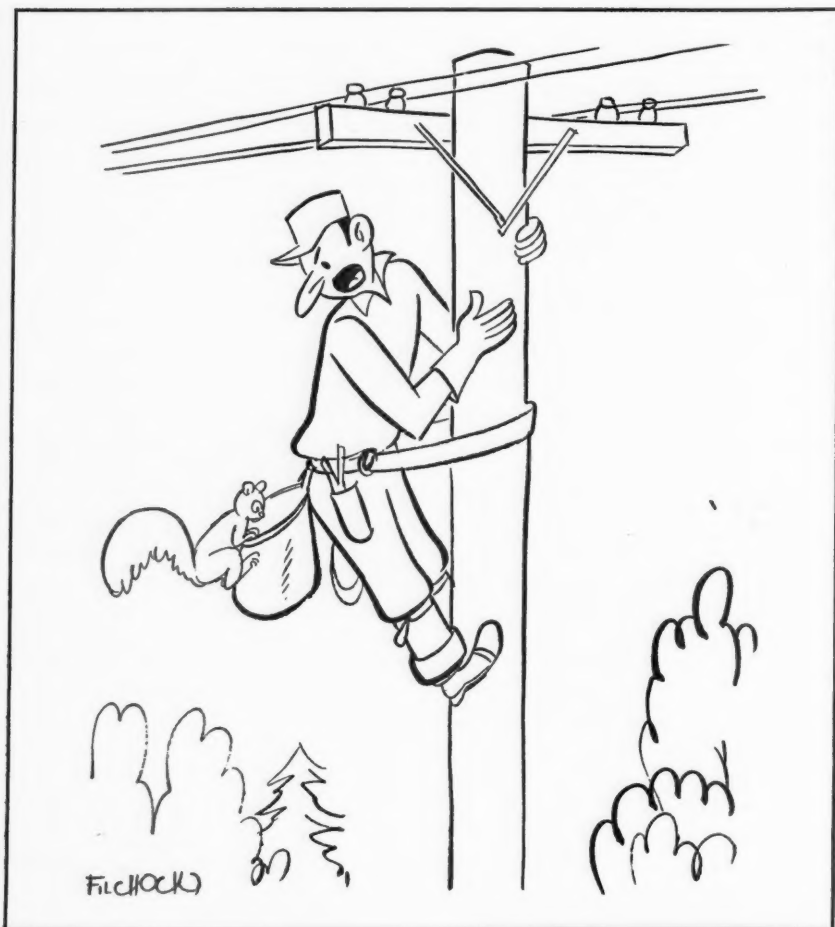
THE relation between the federal budget and the entire economy of the nation must also be considered in drawing up the government's blueprint for the year, the speaker added. The financing of the federal programs requires us to pay to the federal government almost one-fifth

of our incomes—a very substantial share. He remarked that the size of the government's operation staggers anyone who wrestles with it day by day: a budget of over \$60 billion, a payroll of over \$10 billion, civilian personnel totaling over 2,000,000, programs ranging from development of new crop seeds to the H-bomb, pressure for new programs beyond belief. Our budget experts state without batting an eyelash that, for legitimate programs, things which someone should do, the present national budget could easily be expanded by 30 to 40 per cent. Where does one draw the line? the speaker asked. How does one decide who should perform needed services? Should it be the federal government, state and local governments, private enterprise, or a combination of all?

In recent years, Mr. Merriam said, federal expenditures for public works have amounted to 6 or 7 per cent of the total budget. Total budget expenditures are estimated at \$65.9 billion for the fiscal year 1957. About \$4.5 billion will be for public works—\$2.2 billion for national security public works and \$2.3 billion for civil public works. About 50 per cent of the civil public works expenditures will be for direct federal construction and the other 50 per cent will be for grants and other federally aided programs.

By way of contrast, he indicated that in the early 1900's, federal expenditures for civil public works were running at \$25,000,000 to \$30,000,000 a year—with expenditures on river and harbor work making up about two-thirds of the total, and public buildings most of the remainder. Public works responsibilities of the federal government today encompass, in addition, such major areas as highways, hospitals, schools, and research facilities. He broke down by type of facility the recommended \$2.3 billion in expenditures for

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federal civil public works in 1957 as follows:

Highways and roads	\$894,000,000
Water resources and power projects	\$766,000,000
Hospitals and schools	\$329,000,000
Buildings and other facilities	\$348,000,000

Despite the obvious magnitude of these figures, the speaker said that some people still think that the administration has been subtly trying to stifle water resources projects. The facts show, however, that even with all the additional types of facilities which the federal government must

now provide, the \$766,000,000 to be spent for water resources and related power projects make up one-third of the total civil public works expenditures. Furthermore, the 1957 budget recommendations make provision for the Corps of Engineers and the Bureau of Reclamation to start 83 new projects, the speaker declared.

Savings from better bids and other factors recently enabled the President to recommend 15 additional new starts

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without increasing the amount of appropriations requested in January.

THE budget official pointed out that the proposals for all new civil public works in the 1957 budget involve commitments in future years of more than \$3 billion. When these new commitments are added to the amounts required to complete going work, expenditures of almost \$10 billion will be required in future years to complete the work programmed in the 1957 budget, according to the speaker. About three-fifths of this amount is for water resources and related power projects.

He summed up these comments with the expressed hope that his audience could understand, from the facts presented, why in some years an administration can recommend for starts only those projects which are urgently needed in the national interest, in order to avoid deletion of funds for other program requirements of higher priority, or impairment of the over-all fiscal policy objectives of the administration.

Mr. Merriam then presented a summary description of budget-making processes. He stated that, in terms of individual priority, the Bureau of the Budget is guided in large part by the views of the operating agencies. But, in the final analysis, the President must weigh the relative needs of every facet of national life, and even problems of national existence, to determine what his budget recommendations should include.

He said:

Actually, the development of budgetary recommendations starts long before the time of budget submission. First comes the development of authorizing legislation. The Bureau of the Budget reviews agency proposals, coordinates agency views, and advises the

committees of Congress as to relationship of proposed legislation to the President's program.

Executive Order 9384 spells out in some detail the procedures for submitting public works project proposals for authorization by the Congress or for inclusion in the annual budget. Under this order agencies of the executive branch which are authorized to plan, undertake, or aid in public works and improvement projects, prepare and keep up to date long-range programs of such projects. These "advance programs" are submitted to the Bureau of the Budget annually. Before flood control, river and harbor, or irrigation projects are submitted for authorization to the Congress, a report relating to these projects must be submitted to the bureau for advice as to its relationship to the program of the President. When such report is thereafter submitted to the Congress, it will include a statement of the advice received from the bureau.

Thus, the Bureau of the Budget reviews public works projects at two stages before their construction is undertaken—first at the authorization stage, and again at the time the project is proposed for inclusion in the President's annual budget.

In its operations relating to public works, the bureau works closely with the public works planning unit of the White House in the co-ordination of public works planning.

These reviews are designed for one single purpose—to provide advice and guidance to the Congress in its important considerations of the various programs. In the final analysis, of course, the Congress must make the determinations and set the direction in policy, money, and scope. This is as it always has been, and as it should be.

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Our reviews must take into account priorities of need for federal aid and action, recognizing always the common concern of everyone for an ever-expanding and improving country.

WITH these observations as background, Mr. Merriam went on to explain some of the specific administration policies and programs for civil public works. With respect to the development of water resources, he restated the administration's contention that to obtain full utilization of our water resources it will be necessary for state and local units of all kinds to share in the costs of developing these resources, wherever this is feasible and at the same time consistent with the national interest. A true partnership, he said, involves the utilization in each water resource development of the most desirable and feasible combination of interests—whether federal, state, or local and whether public or private—to the extent that the public welfare allows. The tremendous need for water resources development can be met only through such co-operative arrangements.

He remarked that there is nothing new in this partnership principle, strongly endorsed by President Eisenhower as a workable means of meeting the increased demands for industrial growth and improved standards of living and at the same time avoiding unnecessary increases in the federal tax burden. It was first employed during President Theodore Roosevelt's tenure and has been utilized under every administration since his time. Since 1908, he added, the Bureau of Reclamation has been making partnership arrangements with local water users' organizations or power companies for provisions of power facilities connected with its reclamation projects. The Army Engineers' approach, he said, was to look to the Fed-

eral Power Commission to license local interests to build power plants at navigation or flood-control dams and assess charges for benefits from the falling water. By 1953, he declared, there were at least 26 time-tested examples of partnership between the federal government and local interests in power production, with the number about equally divided between Republican and Democratic administrations.

ADMINISTRATION progress under this partnership policy was described in the following terms:

... The federal share of the funds required for the Markham Ferry project in Oklahoma was appropriated in 1956. The remaining cost will be provided by the Grand River Dam Authority of that state. The Coosa river development, earlier planned and authorized as a federal project, will now go forward — by agreement between the Congress and the local interests—as a local private development — an outstanding example of what can be accomplished when there is a will. Construction by nonfederal interests of the Priest Rapids project in Washington is expected to be under way in 1957. This, too, was formerly authorized as a federal project.

But while the word "partnership" has been tossed around as a political symbol, this administration has quietly been moving ahead on a wide range of strictly federal activities. Civil works projects of all kinds have been started in line with the philosophy that there are many areas in which the federal government has the prime responsibility for action. Particularly is this true in projects like the recently authorized and long-delayed Upper Colorado river development — which quite obviously

WHAT OTHERS THINK

because of size and complexity is beyond the means of local groups.

At the end of the current fiscal year, President Eisenhower will have been in office three and one-half years. During this time almost \$3 billion of federal funds will have been invested in the construction of water resources and related power facilities.

Mr. Merriam expressed his belief that the federal government will continue to

play a key rôle in the conservation and development of water resources and in the provision of other public improvements on which the general welfare and the growth of the private economy heavily depend. But in his opinion its part in these essential programs will be such as may tend to encourage rather than displace the necessary efforts of state, local, and private groups and to maintain a proper balance with other federal program objectives.

Water Resources Policies and Politics

ADMIRAL Ben Moreell, former chairman of the Second Hoover Commission Task Force on Water Resources and Power, has presented a series of five lectures on "Our Nation's Water Resources Policies and Politics." The talks, delivered at the University of Chicago, April 30th through May 4th, were based on extensive knowledge and experience the speaker gained during the Task Force's recent investigations. The lectures stand as a cohesive unit covering comprehensively the whole subject: federal water policies, past and present; federal organization for water resource development; federal development in navigation, reclamation, and flood control; federal power developments; and, finally, a survey of the findings and recommendations of the Hoover Commission Task Force on Water Resources and Power.

Admiral Moreell deepened and extended the scope of the discussion by declaring at the outset that, while he intended to consider "the proper place of the several levels of government in a desirable program for conservation of water resources and power," the "real issue" was the preservation and enhancement of human values.

In answer to the question, "What do

you think of public power in the light of your studies?" Admiral Moreell said:

I believe that *all* public power which is subsidized by tax funds, whether on the federal, state, or local level, is economically and morally wrong. Where a local community, or even a state, desires to indulge in such socialistic adventures, I deplore it greatly. . . . Were this solely a matter of government and economic policies, I would say that the hazard of economic waste is not so great when state and local units of government undertake such activities, provided, however, that they pay all local, state, and federal taxes. . . . they (states) are in competition with other states and other communities. If their socialistic exactions for power and similar activities become too onerous, some citizens and industries will move out, taking their wealth with them.

But the federal government is in competition with no one. It is an all-powerful monopoly. . . . (federal public power) promotes the growth of the social cancer of avarice in our body politic; . . . it is a fraud and a delusion, fraught with danger to our whole system of privately owned free enterprise.

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It is not "low-cost power." It may be low-priced but it is not low-cost. There is a difference and the general taxpayer makes up this difference. . . .

Some advocates of investor-owned power have been willing to concede that public power is "all right," and that there is "a place for public power and a place for private power." . . . Once public power has been firmly entrenched in its place, the neighboring private power is doomed to eventual extinction. There will be no place left for it. We cannot "get along" with public power if we want to live as a free people. For if we are enticed into a greedy scramble for public bounty, we will ultimately become a nation of mendicants—begging from each other!

THE speaker also pointed out that if development projects are economically justified, financially feasible and desirable, ways and means can be found to accomplish them without federal control and financing under the guise of national defense, general welfare, or anything else. In his view, if there is a project which no one will finance voluntarily, this may be *prima facie* evidence that the proposed project is undesirable.

He added:

It is incorrect to assert that private funds are not available for desirable projects. For example, we have been told repeatedly that public power projects are essential for the development of our natural resources and for national

defense. And yet, since the end of World War II, the investor-financed electric power utilities have spent \$21 billion on expansion as compared with a total of \$2.3 billion spent by the federal government since it started power projects in 1906!

THE speaker declared that in the field of water resources and power, he stood committed to six basic principles—his own conclusions from the Task Force studies. They were: (1) that water resources be developed only as they are needed and only to meet proven economic requirements; (2) that those who receive primary benefits pay the cost of those benefits; (3) that developments be financed and administered by private enterprise or, if this is not feasible, by local governmental units or by the states, with the federal government participating only under certain conditions. These were that (4) the power of the federal government, as represented in the person of the tax collector, should not be used to deprive the citizen of his lawfully acquired property in order to finance water resource projects unless those projects will provide a clearly defined and demonstrable direct benefit of national scope and they have a value commensurate with their cost; (5) that, in every case, the activities undertaken by the federal government be clearly within the strictly construed constitutional limits of its authority; and (6) that whatever work is done by the federal government be done efficiently and economically.

Notes on Recent Publications

THE decision of the U. S. Supreme Court in the racial segregation cases has ramifications that are varied and complex. In the resulting welter of subsequent legal development, adequate information on public

transportation aspects has been no less difficult to come by than that pertaining to fields of education and housing.

A new *Race Relations Law Reporter*, with a special section devoted to the trans-

WHAT OTHERS THINK

portation area, may be welcomed by bus and transit officials and others who have special need to keep up with the latest decisions and orders of state and lower federal courts, legislative enactments, and executive and administrative rulings and regulations in this rapidly changing area of the law.

Edited and published by the Vanderbilt University Law School, the first issue of this service has recently been released. It contains 292 pages of comprehensive and impartial description of significant legal developments in all race relations areas blanketing the 18-month period following the decision of the U. S. Supreme Court in the May, 1954, school segregation cases. On one of its early pages, it summarizes developments in the field of public transportation during this period and refers readers to other pages where these are presented in more detail, predominantly in original wordings.

Copies of this useful, well-ordered, and moderately priced service, made possible by a grant-in-aid from the Fund for the Republic, Inc., may be ordered by writing Vanderbilt University, *Race Relations Law Reporter*, Nashville 5, Tennessee. Subscription price, \$2 per volume of six issues. If purchased separately, \$1 per regular issue.

SUBSTRUCTURE ANALYSIS AND DESIGN. Professor Paul Andersen of the University of Minnesota has recently completed a second edition of his technical study, entitled "Substructure Analysis and Design," published by The Ronald Press Company of New York city. In this revision, all material has been brought up to date and much new material has been added to cover the changes and developments in the field of foundation engineering. The book approaches substructure engineering from the viewpoint of the designer rather than that of the soil technician or the construction engineer.

It is believed that this up-to-date version of a pioneer best seller in the field of foundation engineering may be of interest to some readers of these pages.

The new edition contains 336 pages and includes 280 illustrations and 18 tables. Priced at \$7, it may be obtained from The

Ronald Press Company, 15 East 26th street, New York 10, New York.

EMPLOYEE'S INCOME TAX GUIDEBOOK FOR 1956. Employers, as well as employees, will be interested in a handy income tax guidebook published by Prentice-Hall, Inc. First of all, of course, it can serve as a welcome aid in those last few hectic weeks before tax deadlines, because of the clear and simple information it gives to those beset with problems of computation and tax analysis. It explains troublesome points in income tax law. It outlines a step-by-step approach for filling out the form. It explains words and phrases which may not be clear in themselves. It provides a complete index for easy reference to special points of interest. It presents descriptive charts showing proper entries in each section of the form. Without more, many troubled taxpayers would find worthy assistance from this little booklet.

But there is more—a correlative and constructive presentation of things that could and should be done by the *federal government*, to ease the obligation of the taxpayer by reducing its own unnecessary expenditures and improving efficiency. The facts included are based on Hoover Commission recommendations graphically describing the hugeness of the federal government today, the unjustifiable competition of government with private enterprise, and the waste and duplication that add to the cost of government. They show that government has an obligation to the taxpayer no less important than that of the man who shells out a large part of his salary and income to provide its wherewithal. Those who use these tax guides are likely to recognize their full purpose: The tax booklet program is a constructive way to advance proposed Hoover Commission reforms which should be adopted by Congress. These guides call attention to needed tax changes at a time when any citizen has only to test them against his own tax obligations to recognize their desirability.

Information on the manner in which these booklets may be purchased and their cost can be had by writing R. H. Krieger, general manager, specialties division, Prentice-Hall, Inc. 70 Fifth avenue, New York 11, New York.



The March of Events

EEI Convention

BEFORE an Atlantic City gathering estimated in excess of 3,500, Harllee Branch, Jr., retiring president of the Edison Electric Institute and president of the Georgia Power Company, claimed that there has been an improvement in the public opinion climate in the United States for the electric utilities. He further charged that Washington legislators and officials are out of touch with the changing sentiment of the rank-and-file voters. He expressed the view that they have been pressured into supporting socialistic power measures by self-seeking minority groups.

Mr. Branch, who presided at the opening session of the institute's annual convention, referred to "admitted setbacks in Washington," including the Senate vote on the Lehman Bill authorizing New York state development of Niagara Falls, acceptance of TVA expansion through use of power revenues without congressional approval, and an opinion of the Attorney General giving preference customers virtual monopoly rights to Clark Hill power.

Mr. Branch called attention to the "overwhelming" voters' preference for the service of independent electric companies rather than of subsidized power organizations as expressed in numerous local elections during the past year. He noted that only one new municipal power system has

been established this year, nine have been discontinued, and eight have been sold to electric companies. The number of municipally owned systems is at the lowest level since 1939, the meeting was told.

The EEI head referred to a recent statement of Adlai Stevenson in Oregon in favor of the basic "partnership" idea of federal and private collaboration in resource development. Former New York Governor Thomas E. Dewey was mentioned as opposed to "the grant of special privileges in Niagara power to subsidized power organizations."

"All over America electric utility executives and employees have shown an increasing willingness to stand up to the Socialists and demagogues, and to talk back to cynical and self-serving politicians, answering fraud with fact," reported Mr. Branch.

"We have found that the opposition is not only vulnerable but much less a public favorite than we had been led to believe," he stated.

The head of a labor union with 645,000 members strongly opposed power development by federal and state agencies. Gordon M. Freeman, president, International Brotherhood of Electrical Workers, in an address to the convention, stated "public necessity does not require government ownership when private companies are

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willing and able to do the job today." He added, "we find that slogans of the past, based on practices and conditions which no longer exist, still furnish powerful political support for government ownership under the more attractive name of 'public ownership.'"

He reported that the experience of the IBEW with municipally owned utilities, public power districts, etc., was that legal rights to make agreements with management have been denied.

A third speaker, Boyd Campbell, chairman of the board, Chamber of Commerce of the United States, stated that the unequivocal consensus of Americans is to let government get out of business.

At a press conference held on the eve of the main convention at the Traymore Hotel in Atlantic City, Mr. Branch, as well as Donald Kennedy, president of the Oklahoma Gas & Electric Company (subsequently elected president of the institute for the coming year), Colonel Howard S. Bennion, retiring managing director of the institute, and Edwin Vennard, the new managing director of the institute, answered questions concerning the position of the industry. Mr. Branch noted that new electric-generating plants fueled by atomic energy will make slow progress replacing those using fossil-type fuel. Industry sources indicate that fourteen years from now, in 1970, one-sixth to one-third of all new capacity installed will be nuclear-fueled.

The convention was subsequently addressed by a number of men prominent in industry, labor, finance, and government. The sequence of addresses by these authorities in their fields included the subjects of public relations, finance, atomic power, government policies with regard to power, and the industry's current multi-million-dollar, nation-wide rewiring program.

Among those who spoke to the delegates were: Charles E. Parker, president of Central Surveys, Inc.; Congressman Frank T. Bow; and Dr. F. A. Harper, economist with the Foundation for Economic Education, Inc. Also, Allen H. Temple, executive vice president of the First National City Bank of New York; Mark W. Cresap, Jr., executive vice president of Westinghouse Electric Corporation; L. R. Boulware, vice president of General Electric Company; and Congressman Frederic R. Coudert, Jr.

J. W. McAfee, president of Union Electric Company, St. Louis, was named vice president of the institute.

The next annual convention of the EEI will be held in Chicago.

Kline to the FPC

THE White House announced the nomination on June 5th of Arthur Kline, forty-eight-year-old Cheyenne attorney and more recently state court judge, to the vacancy on the Federal Power Commission caused by the retirement of Claude L. Draper. Commissioner Draper had previously advised President Eisenhower that he had no wish to be reappointed following his long tenure on the federal regulatory agency. Both Draper and Kline are Republicans. If confirmed by the Senate, Kline would serve a full 5-year term.

Kline was born in Cheyenne in 1908, educated in public schools and the University of Wyoming, from which he was graduated with the degree of Bachelor of Arts. He was admitted to the Wyoming bar in 1932 and was assistant attorney general in Wyoming in 1939.

Kline was appointed judge of the first judicial district of Wyoming in 1953 and later elected to a 6-year term on the same bench in 1954. The nomination, following usual procedure, was referred to the Senate Interstate Commerce Committee.

Alabama

Coosa Dams OK'd

ALABAMA POWER COMPANY was given the right of way in circuit court at Montgomery on June 1st to proceed with plans for constructing four new dams on the Coosa river.

Upholding a previous ruling by the state

public service commission, Circuit Judge Walter B. Jones dismissed protests from Cherokee county landowners who claimed they would suffer damages.

The Coosa River Valley Land Protective Association, made up of Cherokee county property owners, particularly opposed a proposed new dam at Leesburg.

California

Power Report Scrap

DEMOCRATS and Republicans on the House Government Operations Committee report clashed on the administration's power policies, with special reference to Pacific Gas and Electric Company in California.

The Democrats declared the administration "has made every effort" to sell federally generated power directly to private utilities for subsequent resale, instead of giving preference to public utilities and co-operatives. The end result of this policy, the Democrats said, will be "a gigantic private monopoly" of the nation's power resources.

The Republicans retorted that the report is a "vicious and unprincipled attack" on both the administration and private enterprise. What the Democrats want, the GOP minority charged, is "to build ever-expanding federal responsibility in the generation and transmission of electric power until it has been fully socialized."

The majority called for immediate resignation of Interior Under Secretary Clarence A. Davis and Assistant Secretary Fred G. Aandahl. The Democrats contended Messrs. Davis and Aandahl, with former Interior Secretary Douglas McKay and Rural Electrification Administrator Ancher Nelsen, have shown they are "unwilling" to carry out the laws giving public utilities and co-operatives pref-

erence in the sale of federal power.

On the other hand, Republicans said the officials are entitled to praise rather than criticism for their efforts to work out an effective national power policy. The GOP members further declared that the Democrats actually are trying to "generate political energy for 1956."

PG&E "first exerted its influence," the report said, to block appropriations for transmission lines and a steam plant to "firm up" power from the Central Valley project. Then the utility refused to wheel power from project plants to city power systems and other public distributors.

Meanwhile, it said, the company was "sewing up" the public customers to 5-year contracts below regular schedules filed with the state public service commission. When these contracts began to run out, the report said, the public agencies were told that all Central Valley project power was committed.

A minority report signed by the four Republican members of the subcommittee defended the state commission. It said there was "nothing except the opinion of an obviously biased witness" to show the commission did not act properly.

The majority report also criticized the Interior Department for allowing a contract with the Nevada Colorado River Commission for 33,000 kilowatts of Shasta dam power to remain in effect.

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Florida

Electric Plant Issue Validated

VALIDITY of a \$22,000,000 electric revenue certificate issue of the city of Jacksonville was upheld recently by Circuit Court Judge Edwin L. Jones.

To be used for expansion of the city's electric system, the certificates were au-

thorized by an act of the state legislature, implemented by a Jacksonville city council ordinance. They will be paid off solely from revenues of the city's electric system and will not constitute a general obligation payable from taxes. The certificates will mature over a period of twenty years.

Louisiana

Pipeline Commissioner Proposed

A CONSTITUTIONAL amendment was proposed in the state house of representatives last month to create the office of Louisiana pipeline commissioner to regulate gas pipelines. Representative Lon Tyndall and Senator Guy Sockrider of Calcasieu introduced the proposal. It also would transfer the common carrier pipeline authority of the state public service commission to the new office.

Appointed by the governor, the commissioner would be paid \$8,500 a year. A \$75,000 appropriation is included in a companion legislative act for expenses of the office in the 1956-57 fiscal year.

The legislative act also permits the proposed commissioner to charge a \$1,000 fee for permits allowing pipelines to cross state highways or public land. Imposition of the permit fee would be discretionary with the commissioner.

Electric Tax Repeal Sought

A BILL to repeal the 2 per cent state tax on the generation and sale of elec-

tricity was introduced in the state legislature early this month by Representative E. D. Gleason of Webster parish. He estimated the measure would result in a state revenue loss of \$1,500,000 annually.

Under a tax bill introduced in the house late last month, municipalities would be granted authority to assess a tax of 2 per cent on the revenues of utilities, including telephones.

Commission Membership Expansion Proposed

A STATE constitutional amendment proposed in the state legislature recently with the backing of Governor Long would expand the membership of the state public service commission from three to five.

The measure, which would be referred to the electorate in November, would give the governor control of the commission, it was said, since he would be authorized to name the two new members until elections are held in 1958 and 1960.

Besides adding the two new members, the proposal also would extend the terms of commissioners from six to ten years.

Missouri

Seeks Increase in Steam Service Rates

A NEW rate schedule providing for a 12 per cent increase in steam service

rates in downtown St. Louis was filed recently by Union Electric Company with the state public service commission in Jefferson City.

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Under the new plan, total gross revenues of the utility would be augmented by \$263,000.

The increase, which would become effective in thirty days provided the commission does not direct otherwise, is the third such request in thirty-six years, the company said. Previous rises were in 1920 and 1948. Rates were reduced in 1928 and 1934.

Increased costs of operation and an increased income tax rate were given as reasons for the proposed rise. Labor costs, the company said, have gone up 23 per cent since the 1948 schedule was put into effect, in spite of the fact man-hours required for steam production have been cut. Income tax rates have risen from 38 per cent in 1949 to 52 per cent at present, Union Electric said.

Nebraska

Power Districts Form New Organization

ORGANIZATION of the Nebraska Generating and Transmission Co-operative was effected at a meeting last month in Columbus by nine northeast Nebraska power districts, with an invitation extended to the other 18 rural districts.

The districts participating in the original organization were the Burt County Rural, Tekamah; Cornhusker, Columbus; Cuming County, West Point; Elkhorn, Battle Creek, Niobrara, O'Neill; Northeast, Emerson; North Central, Creighton; Stanton and Wayne, at Wayne.

Eighteen districts were represented at the meeting and several of those not in the original nine expressed desire of joining

but said they needed approval from their boards.

It was explained that the main aims were to create a vehicle controlled by the state's rural districts that can finance and build needed generating plants adequate to meet the state's rural power needs for years to come; and to make available needed financing for power lines, substations, and other facilities necessary to rural users. It was said financing would be sought through the Rural Electrification Administration at 2 per cent interest.

It was pointed out that if the new co-operative becomes a statewide setup it could become a major supplier for rural districts after contracts of those districts to buy power from the Nebraska Public Power System expire in 1959.

Oklahoma

Gas Rate Cut Approved

AN annual \$102,000 rate reduction for gas consumers in 15 northeastern Oklahoma cities served by the Gas Service Company of Kansas City was approved by the state corporation commission recently.

Consumers also will get a refund on bills paid for the past two years. The refund will be part of \$6,300,000 Gas Service Company will pay back in Oklahoma, Missouri, and Kansas. No breakdown was

available to show how much Oklahoma consumers would receive.

The lower rates and refund are the result of a Federal Power Commission order reducing a tentative rate increase granted in 1954 to Cities Service Gas Company, which supplies gas to Gas Service Company. The state corporation commission had allowed Gas Service Company an increase in September, 1954, contingent upon final approval by the FPC of the wholesale gas rate boost asked by Cities Service.



Progress of Regulation

Trends and Topics

Payments to Affiliates for Services

A PUBLIC utility seeking to include in operating expenses payments to an affiliate for services has the burden of showing that the services were proper and that the amounts paid were not in excess of the reasonable cost of furnishing them. As a general rule, one affiliated company is not entitled to realize a profit at the expense of a sister affiliate (80 PUR NS 355), and charges to operating expenses for services rendered by related companies must be limited to the actual cost of performance (78 PUR NS 1). Actual cost, however, may include a reasonable return on investment (7 PUR NS 443). The Missouri commission has expressly rejected the proposition that the value of services to an operating company should be used as the basis for payments to an affiliate on the ground that the service company is entitled to retain as a reward for its efficiency the savings it accomplishes for the operating utility (6 PUR NS 269).

The Wisconsin commission has ruled that if a service under a service contract with an affiliated company is necessary and aids the operating company in serving consumers more economically, and if charges for the service are reasonable, they are reasonable costs of management (32 PUR NS 207). But the Utah commission found it difficult to reconcile a substantial increase in the management fee paid by a transit company to its parent in the face of declining revenues, observing that business management in general would endeavor to reduce management expenses in such circumstances (4 PUR3d 144).

Contracts Not Binding on Commission

Contracts between an operating utility and an affiliate affecting charges to operating expenses are not binding upon a regulatory body or the rate-payers. Such contracts have no validity in a rate proceeding, said the Michigan commission, unless their terms are within the bounds of reason (75 PUR NS 436). Consequently, contract charges by an affiliate may be disregarded for rate-making purposes and such amounts allowed as are found to be reasonable.

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Thus, an interest rate of 5 per cent borne by a gas company's note was disallowed by the Massachusetts commission and a rate of 4 per cent, which was considered adequate, was allowed instead (79 PUR NS 22). The commissions have often disallowed management fees paid to parent companies, where such charges represent a specified percentage of gross revenues. The lack of a necessary relationship between the charges and the value of the services, the absence of itemized records to substantiate the charges, and in one case the failure to file a written contract covering fees, have been cited as invalidating circumstances. Management payments so determined have been called "super-preferred stock dividends," direct contributions from ratepayers of the operating utility to the stockholders of the holding company. Similarly a service charge by an affiliated company should not be based upon an amount paid for electric power (31 PUR NS 129).

Intercompany Relationships Scrutinized

Interlocking relationships, said the Ohio supreme court, are matters to be scrutinized in determining whether intercompany transactions result in exploitation of an operating company at the expense of ratepayers (86 PUR NS 496). Common ownership of a substantial amount of stock of corporations indicates such unified control as to demand close scrutiny of contracts between the corporations. But such relationships are not proof that any unjust advantage has been gained. Since there is an absence of arm's-length bargaining between affiliates, the standard of compensation must necessarily be that of reasonableness (75 PUR NS 436).

Recently the Wisconsin commission rejected, as an operating expense, payments by a gas company for fringe-area customers originally served by a bottled-gas affiliate and taken over by the utility, where no similar payment was made for customers taken over from nonaffiliated competitors (3 PUR3d 65). Also disallowed were payments to an accounting firm, remitted in part by the firm to the utility's parent for services performed by the parent, because of the impropriety of the transaction and because the services of the parent should have been covered by the management fee paid by the operating company.

Similarly, unjustified guaranty payments have been disallowed (50 PUR NS 468), and allocations of the cost of holding a pool of funds available for the use of operating affiliates have been denied (99 PUR NS 314; 5 PUR3d 396).

The cost of keeping duplicate minute books was disallowed as an operating expense of an electric company since that cost should have been absorbed by an affiliated company for whose benefit they were maintained (24 PUR NS 337). Rejected also were the expenses of a natural gas utility for "pipeline rental" of facilities of a related company, not necessary for service in the rate base area (2 PUR NS 503). But the fact that a court in a reorganization proceeding had allowed a management fee paid to an affiliated company prompted the Missouri commission to allow the fee as an operating expense (15 PUR NS 1).

PROGRESS OF REGULATION

Consideration of Parent's Expenses

The Colorado commission has held that a water company could properly include in its operating expenses the office expense of an affiliate which provided financing and management for the operating company as it did for other water companies owned by the same financial interests. This ruling was predicated, however, upon a showing that the company could not itself provide the services, that the charges were economical, and that the services were essential (79 PUR NS 427). The importance of the consideration whether an operating company is itself able to furnish services procured from a parent has been recognized by other commissions.

While the Michigan commission, in a telephone case, treated an operating subsidiary as a separate, independent company and excluded from its expenses allocations of the costs of the parent's activities (91 PUR NS 129), other authorities have generally given holding company costs more consideration. In an electric company proceeding before the Wisconsin commission, charges prorated to a company for services rendered by its parent were considered reasonable where they were performed under an agreement providing that accounting, purchasing, sales promotion, and billing expenses not directly assignable to either company should be prorated either on a metered basis, as in the case of billing expenses, or on the basis of operating revenues, as for all other expenses listed in the agreement (93 PUR NS 33).

In another Wisconsin proceeding, a comprehensive analysis of the expenses of a holding company system was given greater weight in determining the proper portion of these expenses to be allowed to an operating gas company than a "self-serving claim" of the company which was regarded as inadequately supported by factual data (3 PUR3d 65). The New York commission held that advertising expenditures of a service company for the benefit of affiliated utilities should not be allowed as an expense of an operating subsidiary, where no basis was shown for determining the proper individual charges (20 PUR NS 388). Nor should operating utilities be charged with the cost of marketing holding company securities, especially when the operating companies pay interest to the parent upon advances of funds (6 PUR NS 269).

Review of Current Cases

Concurrences Effecting Increases Approved for Intercompany Toll Calls But Disapproved for Intracompany Calls

THE practice of concurrences and the operation of filed concurrences by connecting Ohio telephone companies with the filed message toll tariffs of Ohio Bell

or other companies were upheld by the Ohio commission as to intercompany toll calls but struck down as to intracompany toll calls.

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The commission observed that without uniformity in toll rates for jointly furnished toll service, one company might well charge several different rates for toll calls to points of equal distance. Such a condition would not likely be understood or accepted by subscribers. There should be comparability in rates for comparable distances.

Under an Ohio statute public utilities are free to enter into "any reasonable arrangement" with other public utilities for the adoption of financial devices thought to be "practicable or advantageous" to the interested parties. Such agreements, however, are made subject to commission approval.

The state commission indicated that agreements between connecting companies to apply the same rates for jointly rendered toll services as those contained in Ohio Bell's filed tariffs were in conformance with the statute provisions.

Intracompany Toll Rates

Concurrence practices and filed concurrences implementing automatic rate increases for toll calls entirely over the lines of a single company were declared to be unlawful. Although uniformity of intracompany toll rates with intracompany rates is desirable, said the commission, automatic rate increases by concurrences is not a reasonable means of effecting that uniformity.

While it was noted that these concurrence practices and operations as to intracompany toll rates had for some time received the affirmative sanction of the commission, they were nevertheless held to be improper in this proceeding. The companies concerned were therefore ordered to file new tariff provisions re-establishing the rates which were in effect at the time of their last rate order. *Re Automatic Increases in Certain Intrastate Toll Rates*, No. 25243, April 20, 1956.



Certificate Conditioned upon Showing of Market Data And Plans for Gas System

THE Idaho commission awarded a certificate to Kootenai Natural Gas Company, a recently formed corporation, to construct facilities and furnish natural gas to the city of Coeur d'Alene and the surrounding county. The incorporators, all local residents, had secured a contract with Pacific Northwest Pipeline Company for a supply of gas. As soon as the Federal Power Commission approved this supply and authorized the construction of a pipeline from Spokane to Coeur d'Alene for the transmission of the gas, the state commission held hearings on the local company's application.

Testimony sufficiently showed the public need for natural gas service in the area. The commission considered that the good

faith of the incorporators was amply indicated by their successful efforts to bring natural gas to Coeur d'Alene.

While at the time of the certificate award the distributing company was owned by its incorporators, it was contemplated, through an exchange of stock, that the company would become a wholly owned subsidiary of Spokane Natural Gas Company. This would assure adequate financing, it was pointed out, and also facilitate construction at a lower cost than would otherwise be possible. Important operating economies would be effected as well.

Since only a preliminary design for the major elements of the system was presented at the hearings, and since the pub-

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lic need for service did not permit further delay, the commission granted the certificate on condition that a further study of market data be made and a final system plan be submitted. *Re Kootenai Nat. Gas Co. Case No. U-1033-1, Order No. 3769, April 23, 1956.*

An application by Latah Natural Gas

Company for authority to construct facilities and furnish natural gas service to the city of Moscow and Latah county, involving facts similar to those set forth in the Kootenai Case, was also approved by the Idaho commission. *Re Latah Nat. Gas Co. Case No. U-1040-1, Order No. 3768, April 23, 1956.*



Telephone Service Denied upon Prosecutor's Request

THE Indiana commission dismissed a complaint filed by an individual who was denied telephone service, upon a showing that the telephone company had been requested in writing by a prosecuting attorney to withhold service on the ground that it would be used for unlawful purposes. The applicant alleged that the telephone would be used in connection with a bail bonding business.

An Indiana statute provides that a public utility shall refuse service upon noti-

cation by a law enforcement agency that such service will be used unlawfully. Similarly, a company rule, previously approved by the commission, reserved the right to refuse service upon notification by a prosecuting attorney or police officer that the service would be used for unlawful purposes. The commission again approved this rule as reasonable, recognizing its applicability in this case. *Hitch v. Indiana Bell Teleph. Co. No. 26621, March 29, 1956.*



Limited Liability for Errors in Classified Directory Ruled Reasonable

A RULE of a telephone company limiting liability for errors in its classified directory to an abatement of charges was declared by the California commission to be reasonable. The reasonableness of the rule was put in question by two subscribers whose names were not properly shown in the classified directory. The subscribers asserted that they had sustained heavy damages as a result of the error and insisted that the company should be liable to the full extent of the injury. They asked the commission to declare the rule unreasonable as against public policy since, they contended, it relieves the utility from liability for the consequences of negligence.

Although the complaint demanded that

the commission award damages in the aggregate sum of \$15,000, no proof was offered that any specific item of business had been lost as a result of the error. Nor was any proof of negligence presented. The pecuniary claim, though withdrawn, led the commission to observe that it had no jurisdiction to determine a legal claim of negligence. It noted, however, that the rule would prevent the courts from entertaining such an action unless the commission should declare it to be unreasonable.

This rule limiting the company's liability has become well established and of general application in the industry. While the furnishing of a classified directory is an incident of the primary function of the

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company, the commission indicated that there was nothing in the record of this case to warrant a finding that it would be in the public interest to saddle the utility with negligence suits and litigation ex-

penses which would necessarily be reflected in rates. The rule, on the contrary, was found to be reasonable. *Warren et al. v. Pacific Teleph. & Teleg. Co. Decision No. 52850, Case No. 5620, April 3, 1956.*



Water Meter Tests Rule Modified

THE Wisconsin commission granted a water company's request for modification of its meter tests rule, by increasing the fees paid by customers making the request.

The commission pointed out that water utility meter tests differed in at least three important respects from such tests performed by other types of public utilities. First, the experience of water utilities showed that a water meter rarely tested fast, and in most cases where a water meter had been found to be fast the cause was due to installation of improper gears or other faulty construction, and the variation from a correct measurement exceeded the limit allowed in the commission's rule by a considerable amount. In such cases, the complainant received a refund of the deposit made for the test.

Second, the fact that water meters tended to run slow after a period of use

meant that the utility had a pecuniary interest in maintaining a satisfactory meter-testing program. Third, the experience of the utilities appearing at the hearing was that the meter-test privilege may have been abused by customers seeking, through that means, to obtain from the utility a relatively inexpensive survey of the efficiency of their plumbing equipment. The commission believed the principle, that the charge for meter testing should not be based on cost, should be maintained. If a charge was made, it should be on the basis of what amount was considered necessary to eliminate or minimize requests for meter tests where the facts indicated some cause for a high water bill other than a fast meter. A change in the level of the charge to reflect the inflationary trend of prices since 1920 was granted. *Re City of Waukesha, U-1288, March 15, 1956.*



Judicial Review Power Discussed in Railroad Passenger and Depot Service Proceedings

THE Minnesota supreme court upheld an order of the state commission requiring the Duluth, Missabe & Iron Range Railway Company to re-establish passenger train service between Duluth and the Iron Range towns, a distance of nearly a hundred miles.

The company, which was primarily interested in freight transportation, was authorized in November, 1952, to discon-

tinue passenger service after a hearing in which it was shown that the loss sustained in such service was out of all proportion to the use made of it. In April, 1953, however, one of the commissioners having been replaced in the previous fall elections, a new order was issued requiring the company to show cause why the passenger service should not be re-established.

After another hearing, the company

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was ordered to re-establish passenger operations notwithstanding that heavy losses would be sustained and though it was doubtful whether a federal mail contract, which was relinquished upon discontinuing the trains, could be recaptured. This order, upon review, was found to be supported by evidence and sustained.

In a separate proceeding the court also sustained another commission order denying authority to the Chicago & North Western Railway Company to withdraw its agent and remove its freight depot at St. Peter. For purposes of economy of operations, the company proposed to substitute a joint agent and depot with another railroad, though the joint facilities would not be as convenient to shippers as the existing depot. The annual expense of maintaining the present station amounted to only a small part of the annual gross revenue from freight traffic.

Reasonableness and Lawfulness

Under governing statutes, the function of a reviewing court is to determine whether a commission order is reasonable and lawful. The court must consider all the evidence before it in the same manner as an appellate court considers the findings of a jury. The determination of lawfulness involves mainly questions of jurisdiction, procedure, and due process. Reasonableness involves a multitude of factors, depending upon the facts of a particular case. In the passenger proceeding it was necessary to consider, among other things, the possible loss from passenger operations balanced against the convenience and necessity of the public, as well as the possibility of confiscation of property, use of the facility by the public, and availability of competing services.

An order requiring a carrier to provide a particular service to the public is a legislative or administrative function and not

a judicial one. The legislature never intended, the court indicated, that a reviewing judicial authority should put itself in the place of the commission and try an administrative case anew, substituting its findings for those of the commission. For a court to usurp legislative or administrative functions would be unconstitutional.

Quoting from an earlier decision dealing with review power and the reasonableness of a commission order, the court observed: "... The order may be vacated as unreasonable if it is contrary to some provision of the federal or state Constitution or laws, or if it is beyond the power granted to the commission, or if it is based on some mistake of law, or if there is no evidence to support it, or if, having regard to the interest of both the public and the carrier, it is so arbitrary as to be beyond the exercise of a reasonable discretion and judgment."

The fact that the over-all operation of a carrier produces a profit, said the court, does not of itself justify an order requiring maintenance of a particular segment of its service, nor does the fact that the carrier sustains a loss from the particular service, of itself, require abandonment of the operation. Neither is conclusive, but both must be considered in determining the requirement of public convenience.

While, as to the passenger proceeding, the court indicated that the loss to be incurred in the passenger service seemed out of all proportion to the public's use of it, and while, with respect to the depot case, the court suggested that it might have made a different decision than the commission's if it had judged the matter in the first instance, nevertheless there was evidence reasonably supporting the administrative determinations, and it could not be said that the commission went beyond its authority. The orders were therefore upheld.

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Unfairness in Hearing

In the passenger proceeding the company contended that the order should be set aside because the hearing was so unfair as to violate the due-process-of-law requirement.

It appeared that one of the state commissioners (no longer a member of the commission) was manifestly hostile toward the company and interfered with its presentation of evidence. Due process, said the court, involves an element of fair

play and an opportunity for a fair hearing. The court indicated that it would be inclined to overturn the commission order for lack of due process resulting from this commissioner's misconduct, were it not for the fact that other members of the commission afforded the company an opportunity to present its evidence, as did also the trial court upon review of the order. *Minnesota v. Duluth, M. & I. R. R. Co.* 75 NW2d 398; *Minnesota v. Chicago & North Western R. Co.* 75 NW2d 411.



Ability to Render Allied Services Factor in Grant Of Contract Carrier Permit

AN interstate motor carrier previously transporting bituminous materials for a shipper under an interstate certificate, applied to the Connecticut commission for a contract carrier permit to transport the same materials after the shipper had announced its intention to concentrate operations from a city within the state.

About 25 per cent of the applicant's service would be the transfer of the products from a tank truck to a spreader-type motor vehicle, owned by it, which in turn would apply the products to a roadway. Such transportation had been found in the past not to be the transportation of property for hire. While not subject to the jurisdiction of the commission, the availability of equipment by the carrier, who was also transporting the same type of material for the shipper, was a decided advantage. The shipper announced that it favored the carrier because of the allied and associated services furnished.

Two of the three carriers, one common and one contract, who opposed the application also sold the products considered. The commission noted that they were marketing competitors of the shipper for whom the applicant sought authority to

operate as a contract carrier. The commission did not believe that any weight should be placed on the objections of representatives of carrier facilities of a marketing competitor in deciding upon the propriety of the permit.

The main issue in a contract carrier application was stated to be not whether the authority was required by public convenience and necessity, but whether the service proposed was consistent with, and not contradictory or hostile to, the public interest.

The commission pointed out that the service proposed for the particular shipper had for many years been performed by the applicant, that no other carrier had enjoyed the traffic, and that a substantial portion of the applicant's business originated from the shipper. If anyone was to be adversely affected by the denial of the application it would be the applicant. Existing common carriers would not benefit by the denial since the shipper had testified that it would consider private carriage of the traffic if the application was denied. The contract carrier permit was granted. *Re Cronin, Inc. Application No. B-7811, March 21, 1956.*

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Town Escapes Apportionment of Crossing Protection Costs on Jurisdictional Grounds

FOR want of statutory authority, the Colorado commission ruled that it could not apportion to the town of Cheyenne Wells any part of the cost of installing protective signals at a railroad crossing located within the town. The proceeding was brought by the railroad to determine what protection was required, and, if any, then apportionment of the cost.

The crossing was used for governmental purposes, commercial, school, and other uses, and was relatively heavily traveled by motor vehicles. Fast trains passed over the crossing. In these circumstances the commission found that flasher signals were necessary.

Town Refuses to Contribute

The town, however, argued that the existing single cross-buck signal was sufficient and refused to contribute to the cost of the flasher signals. If the town's position was rather singular upon these facts, so also was its reasoning. It had passed an ordinance prohibiting trains from going more than 10 miles an hour through the town. The commission did not, of course, attempt to determine whether the prohibition was enforceable, though it appeared that the ordinance would be repealed when adequate protection was provided. The town contended that with the ordinance in force there was no need for additional protective devices and that it

would secure no benefit from them. It therefore refused to contribute to their cost.

In these circumstances the commission was compelled, without regard to its private inclination, to assign the entire cost of the installation—over \$5,000—to the railroad. It had no statutory power to do otherwise.

Benefit to Railroad

The railroad contended that the crossing should be closed, but in view of the evidence as to traffic using it, the situation of the community, and the lack of another crossing in the vicinity, the commission ruled against closing it.

It was further asserted by the railroad that it would derive no benefit from the new signals and should not therefore sustain the cost of installing them. The commission thought this contention was without merit. The railroad's privilege of right of way at the crossing, without which it could not operate at the high speeds that efficiency demands, carries with it a duty to provide suitable devices to warn the public of potential danger. More ample protection, the commission further observed, will reduce the probability of accidents, thereby benefiting the railroad by diminishing the probability of suits for damages. *Re Union P. R. Co. Application No. 13657, Decision No. 45659, April 13, 1956.*



Evidence Fails to Establish Private Livery Service To Be Taxicab Service

AN owner of automobiles was charged with operating taxicabs for hire without licenses, in violation of the New York City Administrative Code. The

magistrates' court dismissed the charge, saying that the mere fact that the owner's vehicles lacked taximeters was not a conclusive factor in determining whether there

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had been a violation of the Administrative Code. An operator of vehicles, said the court, who labels them as private livery automobiles is not relieved from the licensing regulations if, in fact, the cars are used as taxicabs. The converse of the proposition was also true. Where operators of vehicles call them taxicabs when in fact they are not so used, the true character is not altered.

The proof in the case supported the view that the operators were only proffering or performing acts of transportation under special calls, charters, or agreements. An exclusively private livery business, although carrying passengers upon the public streets, was not considered affected with a public interest so as to constitute it a public carrier. A palpable distinction exists between a public carrier's duty to answer all calls for service as far as able and a private carrier's privilege to serve or not to serve at will.

The provisions of the Administrative Code were penal in character, pointed out the court, thus requiring the provisions to be strictly construed. Purely statutory wrongs may not be established by implication, and acts otherwise innocent and lawful do not become crimes unless there was a clear and positive expression of the legislative intent to make them criminal. The use of the vehicles in the instant case had not been clearly shown to offend the statute. The proof had not been beyond a reasonable doubt.

The owner of the automobiles in question had not installed any taximeters and the cars did not bear the word "taxi." An office and a booth where prospective passengers could make inquiry for services were maintained. It had not been established to the satisfaction of the court that public patronage had been solicited anywhere. *People of the State of New York v. Pfingst et al.* 148 NYS2d 640.



ICC Determination of "Nonexempt" Agricultural Commodities Held Judicially Reviewable

THE United States Supreme Court, overturning a district court judgment, decided that an Interstate Commerce Commission order specifying what commodities should be exempt and what should not be exempt as agricultural commodities under the Interstate Commerce Act was subject to judicial review. Section 203 (b) (6) of the act provides that motor vehicles used in transporting agricultural commodities shall not be subject to certificate or permit requirements. Frozen Food Express, a motor carrier, desiring to continue carrying as agricultural commodities articles determined by the commission to be nonexempt, applied to the district court to prevent enforcement of the order. From a judgment dis-

missing the suit on the ground that the order was not reviewable, the carrier appealed.

The court indicated that the commission's determination has an "immediate and practical impact" on carriers who are transporting the nonexempt commodities, and on shippers as well. The order warns those who do not have authority to carry nonexempt articles that they do so at the risk of incurring criminal penalties. Such carriers may become the subject of a commission cease-and-desist order, willful violation of which is ground for revocation of a certificate or permit. The determination made by the commission, said the court, was not therefore abstract, theoretical, or academic. It constituted in

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substance a declaratory order "which touches vital interests of carriers and shippers alike and sets the standard for shaping the manner in which an important segment of the trucking business will be done."

Dissenting Views

Mr. Justice Harlan, dissenting, was of the opinion that the commission determination was not judicially reviewable. He noted that no criminal or administrative proceeding could be brought for violation of the order. Nor did it conclude any rights as between specific carriers and the commission. "The court should be wary of establishing a procedure," he said, "which would prematurely throw into the courts questions of statutory construction not arising in the context of concrete facts, and which does not bring to the courts even the benefit of final interpretation by the agency assigned to administer the statute." *Frozen Food Express et al. v. United States et al.* 76 S Ct 569.

Dressed Poultry Held Exempt

In another proceeding on appeal before the Supreme Court, involving a cease-and-desist order against Frozen Food Express, the Interstate Commerce Commission had ruled that fresh and frozen meats and fresh and frozen dressed poultry were not

within the exemption of § 203 (b) (6). A district court sustained the commission with respect to meats but held that fresh and frozen dressed poultry were exempt. Only the court's holding as to poultry was appealed.

The Supreme Court said the exemption of motor vehicles carrying "agricultural (including horticultural) commodities (not including manufactured products thereof)" was designed to preserve for the farmers the advantage of low-cost motor transportation. Dressing and freezing a chicken to make it ready for market, the court indicated, is not such a processing as to turn the chicken into a manufactured commodity.

The commission agreed that the processing of milk for marketing does not make it a manufactured product, and that the ginning of cotton and cottonseed does not turn those commodities into manufactured products. While these articles have gone through a processing stage, the court indicated, none has been "manufactured" in the normal sense of the word. "Where the commodity retains a continuing substantial identity through the processing stage," said the court, "we cannot say that it has been 'manufactured' within the meaning of § 203 (b) (6)." Four justices dissented from this holding. *East Texas Motor Freight Lines, Inc. et al. v. Frozen Food Express et al.* 76 S Ct 574.



Obligations Arising from Unprofitable Bus Runs

THE Indiana commission, in ordering the reinstatement of a bus run for a test period, offered some pertinent observations on the obligations of all parties concerned. It took notice of the fact that bus service is of great importance to individuals who rely upon it for getting back and forth to work. Bus service is

important to the general public, and the fact that certain runs operate at high expense with a small number of riders, resulting in their subsidization by the rest of the public, is also a factor to be kept in mind.

A bus company cannot, said the commission, render taxi service to a few peo-

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ple at the expense of other riders, by reason of unprofitable runs. Nor can a company hold itself out to render service to the general public and then limit the service so as to take only the most de-

sirable and peak runs. The company has a duty and an obligation to render a broader service to more of the general public. *Maners v. Danville Bus Line, No. 26488, February 10, 1956.*



Carrier, Not "Flagged Out," Bound by "Herd's" Filed Tariff

AN interesting drama was played out before the Kentucky court of appeals recently with three principals comprising the cast. Central, a motor freight tariff association, was the rate-making agency to which Parrish, the carrier, alleged to have violated rate minimums, and Claxon, the complaining carrier, belonged.

On behalf of its members, Central filed a proposed tariff with the commission which increased the minimum freight charge between certain points. The commission approved the minimum increase as optional, pending final order in forthcoming hearings. Central then filed the minimum tariff and several carriers in the organization "flagged out," the terminology used by the parties to indicate the intention of a carrier not to follow the "herd's" designated rates. Parrish did not flag out. Later, Claxon filed a complaint with the commission stating that Parrish had been guilty of charging rates less than those set forth in the association's minimum tariff. The commission, upon the examiner's report, concluded that the complaint was justified and suspended Parrish's certificate for fifteen days. Since a statute required common carriers to maintain on file, at all times, a schedule of the rates and charges actually made, and since Parrish had not flagged out, Parrish was bound and required to maintain and charge the prices set forth in Central's filed tariff.

Due Process Afforded

The court affirmed the commission's suspension. "Due process of law" and the "law of the land" were stated by the court to be synonymous, and to mean that no citizen would be deprived of his life, liberty, or property without reasonable notice and opportunity to be heard according to regular and established rules of procedure. Due process is accorded where the individual or company has a right to resort to a remedy administered without denial or delay. Here, Parrish had had a trial before an examiner, a commissioner, a circuit court, and a court of last resort in the state, sufficient to afford the processes of law.

The court did not find the commission's action arbitrary. Parrish had admitted that the rates charged were less than those listed in the association's filed schedule. The commission had the power, not only to suspend the operation of proposed rates, but to allow the schedule to go into force pending further hearings as an incident to its over-all power. The use of the word optional by the commission had created no misunderstanding among the trade generally because thirty-five other carriers had promptly flagged out. Parrish was held to have had adequate notice that, unless it filed other tariffs under the optional provision, the association's filed minimum would bind it. *Parrish (Parrish Transfer Line) v. Claxon Truck Lines, Inc. 286 SW2d 508.*

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Truck Leasing Practice Collides with Carrier Statute

CHARGING two truck leasing companies and associated persons with acts alleged to constitute subterfuges contravening a motor carrier statute and commission rules, the Florida commission won a judgment in a court action and obtained an order prohibiting further violations of the statute. The Florida supreme court upheld the decision.

The acts complained of consisted in certain ostensible leasings of trucks, which were said to be a sham. It was contended by the commission and intervening carriers that the leasing companies were actually furnishing trucks, drivers, and other services which characterized them as carriers subject to regulation under the statute.

The companies argued that the judgment of the lower court was against the

weight of the evidence. They contended that if a few leases out of the large mass of leases issued by them in the course of their business were proved to be unlawful under the statute, that would not be sufficient to warrant the granting of a restraining order against them.

The court indicated that the real question before it was whether there was substantial evidence to support the findings upon which the lower court based its decree. The evidence was adequate for that purpose, showing a pattern of unlawful operations. The proceeding was not a criminal case, the court noted, and it was sufficient that some of the companies' activities were found to be illegal. Only such illegal activities would be enjoined by the decree. *Stewart v. Mack, Division A, 86 So2d 143.*



Rate of Return Based upon Comparative Equity Costs

INVESTIGATING, upon its own motion, increased rates and charges filed by Boston Gas Company, the Massachusetts commission allowed increases sufficient to enable the company to earn a rate of return of 6.25 per cent on an average net investment rate base.

The company's debt ratio was only 20.4 per cent, with debt capital cost of 3 per cent. Other New England gas companies' debt ratios ranged from 35 to 45 per cent. The parent of Boston Gas, whose debt ratio was about 38 per cent, owned all of the subsidiary's debt and equity securities. There was no public market for these securities, nor had the operating company issued any securities for many years.

Debt Ratio

The commission observed that it had used hypothetical capitalization ratios in

computing capital cost for other companies in holding company situations where the balance sheet of a subsidiary did not reflect actualities. But in all such cases there had been relatively recent and important new financing by the operating companies. In the instant situation there was not even an indirect statement of debt policy. The commission was therefore of the opinion that it would be unjust to use anything other than the actual balance sheet in these proceedings.

Since actual quotations were not available, the commission made comparisons with other companies' equity costs and arrived at a figure of 5.5 per cent as the cost of equity capital for Boston Gas. On the basis of a 75 per cent dividend pay-out, required earnings of 7.2 per cent were indicated. With debt at 3 per cent, the commission concluded that the over-all cost of capital

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was 6.15 per cent. The rate of return was set slightly higher to allow for a margin of error.

Working Capital Adjustments

The company presented no time lag study upon which the commission could compute working capital requirements. In the absence of such a study, the commission presumed, upon the basis of available financial data, that the company's considerable tax accruals would be sufficient to provide for all working capital needs except materials and supplies. The time lag with respect to payments to suppliers of purchased gas, it was noted, was almost exactly equal to the time lag applicable to customer payments.

The company claimed a working capital allowance for prepaid expenses such as insurance.

But since credit for prepaid expenses is given in operating expense allowances, the commission declined to give further credit in the rate base.

Trended Cost and Operating Expense

The company insisted that the rate base should be modified to reflect present value of property. For this purpose it introduced evidence of cost trends as applied to the original cost of plant. Summarily rejecting any such modification, the commission noted that it had never used reproduction or trended costs in arriving at a rate base and that its position in this regard had been sustained by the Massachusetts supreme court.

In estimating future operating costs, the reasonableness of a contract price of 51.83 cents per Mcf for purchased coke oven gas was put in question. It was found to be unreasonably high, and a price not exceeding 45 cents per Mcf was allowed instead. The commission observed that under applicable statute law it was not bound to recognize the contract price but could properly substitute an equitable price. *Re Boston Consol. Gas Co. DPU Nos. 10710, 10985, 11466, 11618, April 26, 1956.*



Order to Shut in Gas Wells Upheld under Commission Proration Powers

THE Oklahoma supreme court sustained a commission order requiring Choctaw Gas Company, a natural gas producer, to shut in its wells drawing from a common source of supply which had earlier been prorated by order of the commission under an Oklahoma statute. The proceeding was instituted by Oklahoma Natural Gas Company, which also owned wells over the reservoir, for enforcement of the proration order.

Choctaw owned 52 of the 2,067 productive acres which the commission found overlay the reservoir. It also owned 5 wells. Natural owned almost 60 wells. In 1947 the commission established a pro-

ration schedule and allocation formula. Each well was allocated a ratable proportion of the total amount of gas taken from the reservoir monthly, according to a prescribed allocation formula and depending upon market demand as determined by the commission from declarations by each producer as to the volume of gas it must produce in order to supply its market.

Choctaw overproduced and, alleging that such overproduction was the result of Natural's decreasing its declared "takes" from the field, obtained an order from the commission in 1948 requiring Natural to sell Choctaw sufficient gas at a specified price to meet the latter's market

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demand. The state supreme court reversed this order as being beyond the commission's power, holding that it amounted to the taking of one company's property to give to another (96 PUR NS 427).

In the instant proceedings before the commission, Choctaw urged that Natural, by keeping its declarations of needed gas low, could keep the allowable "take" low and compel Choctaw to continue overproducing in order to meet its demand. After hearings, however, the commission ordered Choctaw's 5 wells to be shut in until such time as its overages were made up.

Constitutional and Statutory Claims

Choctaw argued upon appeal that the order would ruin the company, insisting that it violated the due process and equal protection clauses of the federal Constitution as well as provisions of the state Constitution.

Aside from technical procedural contentions, Gas Service Corporation, a purchaser from Choctaw, following up the latter's argument, claimed that since, under the commission's proration order, Natural could virtually control the proration system, the order amounted to an unconstitutional delegation to Natural of the commission's proration powers. Gas Service also urged that the statutory proration power is based upon waste, and since the commission's shut-in order did not find that waste would result if Choctaw's wells were not shut in, the commission exceeded its powers in making the order, such order therefore being void.

Protection of Correlative Rights

The court said none of these contentions had substantial merit. There was a conflict of evidence upon the matter of

Choctaw's being ruined by the shut-in order. This company's wells had paid for themselves many times over. The evidence did not demonstrate that Choctaw had any property rights, including its market demand, that it was the duty of the commission to protect under the circumstances. No waste of gas in the reservoir would result from Choctaw's wells being shut in, for the other wells drawing from the area would adequately produce all the remaining gas.

On the other hand, if the wells had not been shut in, Choctaw would be producing gas which belonged to Natural and others having correlative rights to the gas in the reservoir. In this uncontradicted fact, said the court, lay the cardinal weakness of the opposing arguments. To protect such correlative rights, in addition to preventing waste, is one of the fundamental powers of the commission under the proration statute.

Therefore, it was not necessary to the validity of the commission's shut-in order for it to make a finding as to waste.

Observing that Choctaw had already produced almost twice its rightful share of the reservoir's gas, based upon the highest estimate of record of the gas reserve left in the reservoir, the court regarded as unimpressive the contentions relating to Natural's alleged control over the proration system.

There can be no doubt, said the court, of the commission's authority under the statute to shut in Choctaw's wells since its findings, supported by ample and substantial evidence, indicated that proration of the reservoir was necessary and that the shutting in of the wells was necessary to enforce it. *Choctaw Gas Co. v. Oklahoma Corporation Commission*, 295 P2d 800.

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Other Recent Rulings

Review Pleadings. The Kansas supreme court ruled that an application to a trial court for review of a commission order is not a petition, within the meaning of an applicable statute, so that a demurrer would not be a proper test of an application's sufficiency for review of an order but would amount only to a motion to dismiss, quash, or strike, which, if overruled, would not be appealable. *Wichita Chamber of Commerce v. Kansas State Corp. Commission*, 295 P2d 670.

Prospective Rate Base. The California commission fixed a rate of return of 6.5 per cent for a small water utility on the basis of a prospective rate base which included substantial plant additions to be constructed in the immediate future, but an authorized rate increase was expressly predicated upon the rendering of satisfactory service. *Re Downey et al. (Russian River Terrace Water Co.) Decision No. 52450, Application No. 36896, January 4, 1956.*

Sale of City Light Utility. The Michigan supreme court ruled that the city of Kalamazoo could properly sell a municipal light utility, under its charter and home-rule statute, without competitive bidding, without a referendum, and without putting the proceeds into a sinking fund for the payment of bonds standing against the property. *Kalamazoo Municipal Utilities Asso. et al. v. City of Kalamazoo et al.* 76 NW2d 1.

Service Area Change. The California commission authorized a water utility to furnish service to a large industrial user in the certificated area of another water com-

pany, where the latter was unable to provide such user with sufficient water pressure to afford satisfactory fire protection at all times. *Re Suburban Water Systems, Decision No. 52574, Application No. 37435, February 7, 1956.*

"Light Repairs" Construed. Upon review of a declaratory judgment, the Oregon supreme court held that "light repairs," as used in a statute requiring railroads in certain instances to provide shelter for workmen, means servicing operations and minimum repairs necessary to keep equipment in operating condition, such repairs requiring only portable hand tools and short, intermittent periods of work. *Southern P. Co. v. Brown*, 295 P2d 861.

Motor Freight Interchange. Overturning a commission order granting interchange authority to a motor carrier, a Pennsylvania court ruled that testimony by other carriers concerning mainly the promotion of their mutual profits and convenience, though indicating that an occasional shipper requested the service, was not sufficient evidence to support the order. *Motor Freight Express v. Pennsylvania Pub. Utility Commission et al.* 121 A2d 617.

Rail Freight Rates Up. The South Dakota commission authorized increases in intrastate rail freight rates comparable to those granted by the Interstate Commerce Commission for interstate rates, except as to those commodities which would likely be diverted from rail traffic by higher rates, in order to enable the carriers to meet increased costs. *Re South Dakota Rail Carriers, Docket F-2445, May 4, 1956.*

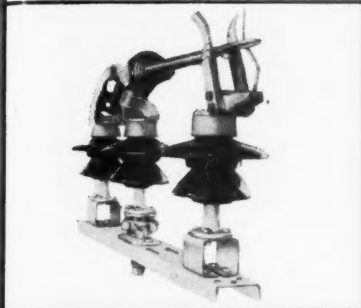
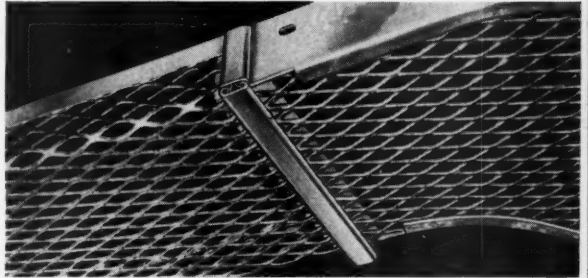
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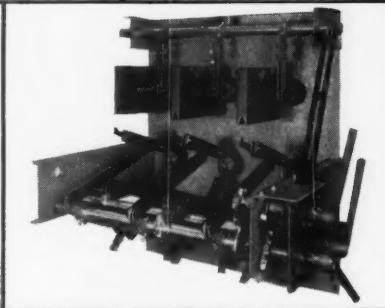
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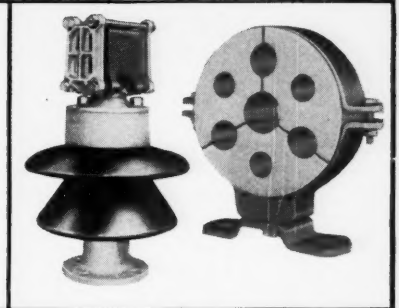
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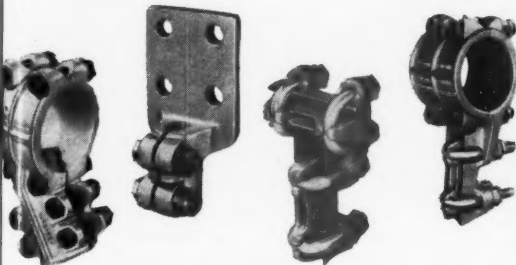
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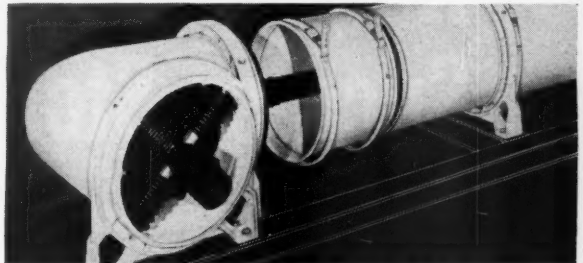
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PUBLIC UTILITIES FORTNIGHTLY—JUNE 21, 1960



Industrial Progress

Southern System to Spend \$700 Million in 6 Years

THE Southern Company system will spend more than \$700,000,000 within the next six years in order to keep up with the phenomenal electric power demands of its four-state area, E. A. Yates, board chairman, predicted at the annual meeting of stockholders at Atlanta recently.

Looming large in the nearly three-quarter billion dollars of planned expenditures is a huge new steam plant to be constructed on the Coosa river near the Alabama coal fields at a cost of \$150,000,000. For this purpose, the Southern Company has organized the Southern Electric Generating Company and will invest some \$25,000,000 in the common stocks of Alabama Power and Georgia Power Companies in 1961 to enable these companies in turn to invest these funds in the common stock of the Southern Electric Generating Company. The remaining financing requirements will be met by issuing debt securities of the generating company. The generating company will be owned 50 per cent by Alabama Power Company and 50 per cent by Georgia Power Company.

The plan was developed by The Southern Company in order to relieve Alabama Power Company of some 50 million dollars of financing within the next five years and to provide additional power to Georgia Power Company at lower cost, Mr. Yates said. Other operating power companies in The Southern Company system are Gulf Power Company (Florida) and Mississippi Power Company. The new plant will add one million kilowatts to the system's generating capacity by the end of 1963, almost one-third of the present total system capacity.

H. J. Scholz, of Birmingham, president of Southern Services, Inc., will be president of the new company. J. F.

Crist, of The Southern Company, will be executive vice president, and Walter Bouldin, of Alabama Power Company, and J. J. McDonough, of Georgia Power Company, will be vice presidents.

The initial 500,000-kilowatt capacity of the new plant is scheduled for completion in 1961 and it is anticipated the plant will be enlarged to 1,000,000 kilowatts by the end of the year 1963. Investment at that time, it is estimated, will be approximately 150 million dollars.

In the eight years in which The Southern Company has been in existence, the system has doubled in size, Mr. Yates stated. Sales have increased from seven billion to fifteen billion kilowatthours annually. Two million kilowatts of new generating capacity have been added in Mississippi, Alabama, Georgia and Florida, and the four system companies have expended more than \$600,000,000 for enlargement of their power facilities.

Water Works Officials Hear Metering Helps Increase Revenue

PROPER use of water meters helps increase revenue needed by water systems to meet growing consumer demand for water, members of the American Water Works Association attending the 75th annual convention were told recently.

Wentworth Smith, vice president of Neptune Meter Company, said metering encourages conservation of water. He addressed a session on distribution problems and discussed "How Meters Help Increase Revenue."

"Experience of more than 50 years has shown that metered rates are more equitable to the individual consumer than any other method of charging for water service," Mr. Smith said.

"Meters — properly maintained — help assure the consumer that he does not pay for water his neighbor wastes

and at the same time the water system gets paid for all the water it distributes," he added.

New Slide Film Promotes Nuclear and Solar Energy

MAN'S historic quest for scientific advancement has brought him to the brink of a new world of virtually inexhaustible energy sources for development as a servant of the human race.

Splitting of the atom has paved the way for peacetime atomic energy uses and work has now begun on harnessing the energy of the greatest source of all — the sun.

Electric power companies will help take the lead in the search for practical applications of nuclear and solar energy in the generation of electric power. Twenty-five groups already have been formed to study nuclear possibilities. In order to keep the public informed on progress of both atomic and solar research, a slide film has been developed by Arizona Public Service Company for showings to stockholders, employees and other interested groups.

The film graphically points out the need for developing new sources of energy to offset future demands on existing fuel supplies. World-wide uranium and thorium deposits already discovered are estimated at 23 times the heat equivalent of conventional fuel deposits.

Atomic power generation is still in the experimental stage, but when utilized for production, the only change from present methods will be in steam production. Turbines, generators, transmission and distribution will remain unaffected.

However, highly complex problems must be solved before nuclear energy can be used economically by electricity producers. Intensive study and experi-

(Continued on page 22)

mentation in controlled splitting of the atom is required in order to release atomic heat and energy at pre-determined rates.

Corrosive effects of acids and other chemical substances necessary in exchanging heat must be overcome. Metals capable of withstanding extreme temperatures must be developed. Safe disposal methods of radioactive atomic waste materials must be discovered. Development of proper protective clothing is high on the priority list.

Switch-over from present fuels to atomic-fired electric power may come when the cost of nuclear power approximates that of conventionally produced electricity. Since fuel costs in producing and delivering electricity are relatively low in proportion to total costs, a switch to atomic fuel will make little difference in the cost of electric power.

Washington Natural Gas to Spend \$26,000,000 by 1961

WASHINGTON Natural Gas Company plans to spend \$26,000,000 on new construction in the next five years, according to Walter S. Byrne, president.

This compares with \$22,000,000 spent in the past 75 years by the former Seattle Gas Company and Washington Gas & Electric Company, which merged last November as Washington Natural Gas Company.

Mr. Byrne said \$1,382,400 was spent for construction last year. Plant additions this year in preparation for handling natural gas will total \$7,768,000, he said.

Cutts Heads Electric Utility Sales Development Unit for G-E

RICHARD CUTTS, JR., General Electric engineer for 28 years, has

been named manager of the company Electric Utility Sales Development unit.

The appointment, effective June 1, was announced by J. J. Huether, manager of the Market Planning and Development Section, User Industries Sales Department.

Mr. Cutts will be responsible for planning and developing the sale of electrical apparatus and systems to electric power producers in the nation, both privately and public owned.

Residential Street Lighting Bulletin Available

A NEW 16-page bulletin on residential street lighting is now available from the General Electric Company, Schenectady 5, N. Y.

The publication, designated GE- (Continued on page 24)

*This announcement is not an offer to sell or a solicitation of an offer to buy these securities.
The offering is made only by the Prospectus.*

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INDUSTRIAL PROGRESS—(Continued)

6316, points out that 75 per cent of all American streets are residential but that only two per cent of them are adequately lighted. In addition, the bulletin states the case for adequate lighting of residential areas and describes the situation as it exists today.

Profusely illustrated, the publication explains how good lighting benefits a residential community and cites case histories to illustrate the point. The guide book also provides information on how to plan modern residential lighting installations.

Public Utility Buyers' Group Elects New Officers

L. G. WISELEY, superintendent of purchases and supplies, Michigan Consolidated Gas Company, was elected chairman of the Public Utility Buyers' Group, National Association of Purchasing Agents, at the National Convention held recently in Cleveland. Other officers elected were Harold T. Belcher, Consumers Power Company, Jackson, Michigan, First Vice-Chairman; R. H. Sperrung, Union Electric Company of Missouri, St. Louis, Missouri, Vice-Chairman; J. J. Morse,

New Orleans Public Service Inc., New Orleans, Louisiana, Vice-Chairman; and J. B. Homsher, Gilbert Associates, Inc., Reading, Pennsylvania, Secretary-Treasurer.

The Public Utility Buyers' Group—the largest single group within the National Association of Purchasing Agents—represents over 300 utility companies.

Recording and Statistical Appointment

RECORDING & Statistical Corporation, New York, announces the appointment of T. G. Campbell as vice president in charge of their Statistical Division in the United States, which operates regional punched card service bureaus in New York, Boston and Chicago. Prior to his new appointment, Mr. Campbell was manager of the Statistical Division.

PG&E To 'Mine' Copper in Sky on Big Project

PACIFIC GAS and Electric Company will spend \$3½ million to replace copper power cables with aluminum on

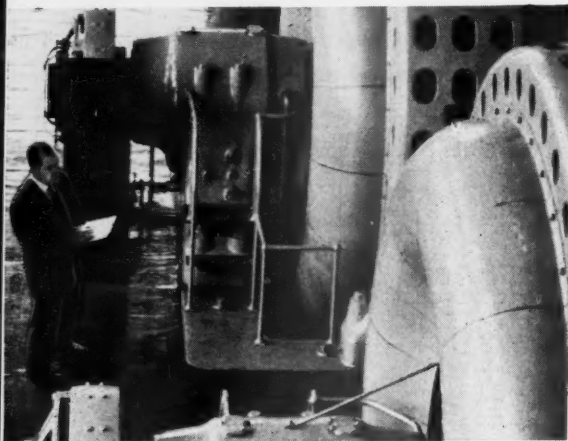
a major Sacramento Valley electric transmission line—and expects to save money by the move.

The line carries power from the company's chain of Pit river hydro electric plants in Shasta county to the big Vaca-Dixon substation in Solano county, a major center for the transmission of power to the San Francisco Bay region and elsewhere. This line made engineering history in 1922 as the first in the world designed to transmit electricity at 220,000 volts.

Key to the plan to rebuild it is found in the greater efficiency of the new aluminum cables, coupled with the present high salvage value of copper. It was pointed out by Norman R. Sutherland, PG&E president and general manager. The company will replace all six cables which make up the line, each stretching 142 miles from Cottonwood substation near Anderson in Shasta county to Vaca-Dixon. Seven million pounds of copper cable will be unstrung and replaced with four million pounds of aluminum cable.

Mr. Sutherland said that modern

(Continued on page 26)



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INDUSTRIAL PROGRESS—(Continued)

electric cables, whether made of copper or aluminum, are much more efficient than the pioneering design adopted more than 30 years ago for the Pit-Vaca-Dixon line. The older design causes excessive loss of electric energy into the atmosphere—called "line loss." The new cable design will reduce this to a minimum.

McCabe-Powers Announces Second Model of Sky-Master

THE Powers-American Division of McCabe-Powers Auto Body Com-

pany, St. Louis, Mo., has announced that it is now in full production on a second model of its "Sky-Master" Hydraulic Aerial Beam.

The new unit, designated the Series AB-1-41 "Sky-Master" carries a workman over, under, or around obstacles, in an insulated enclosure which permits him to work with ground-level ease in out-of-the-way overhead places.

A pair of independently-operated steel beams, installed on a rotating mast, move the work basket to any

position within operating range. There are no pre-determined spotting positions. The outer beam can be moved to any point in an operating arc of 270 degrees, and the inner beam can be positioned any where in a 115 degree arc.

When fully extended, Sky-Master has a ground-to-basket floor height of approximately 41 feet, enabling a workman to comfortably reach areas 46 feet above ground. The safe load capacity in all positions is 350 lbs., having a safety factor of 5. Hydraulically-operated outriggers are installed on each side of the body to assure absolute stability regardless of work base position.

The Series AB-1-41 "Sky-Master" can be installed on slightly-modified standard bodies in the Powers-American line, or on a body designed to fit specific needs.

Complete details are given in Powers-American Bulletin #412, which may be obtained from McCabe-Powers Auto Body Company, 5900 North Broadway, St. Louis 15, Missouri.

Independent (Non-Bell) Telephone Industry Progress

THE 4,714 Independent (non-Bell) telephone companies of America which serves 11,000 communities and two-thirds of the geographical area of the country, now operate 8,461,000 of the 56,490,000 telephones in the United States, its territories and possessions and have a total plant investment of \$2,042,822,000.

According to figures officially released by the United States Independent Telephone Association, the latest statistics, as of December 31, 1955 reflect the continuing growth and progress of the industry, which has been expanding at an accelerated pace during the past 10 years to meet the unprecedented demands for telephone service occasioned by population growth, increased usage, and a prosperous economy. While the country's population increased 31 per cent during the 20-year period from 1935 to 1955, the number of Independent telephones soared from 3,185,000 to 8,461,000 or 166 per cent, the Association said.

The Independent telephone industry, through its operating companies, equipment manufacturers, and suppliers, serves approximately 11,000 communities in the United States.

All long distance facilities are interconnected with Independent telephone company lines.

PUBLIC UTILITIES FORTNIGHTLY—JUNE 21, 1956

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*The Company has issued Warrants, expiring at 3:00 P.M., Central Standard Time on June 19, 1956, to holders of its Common Stock, evidencing rights to subscribe for these shares at the rate of 1 share for each 6 shares, or portion thereof, held of record at the close of business June 5, 1956.

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The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, during and after the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

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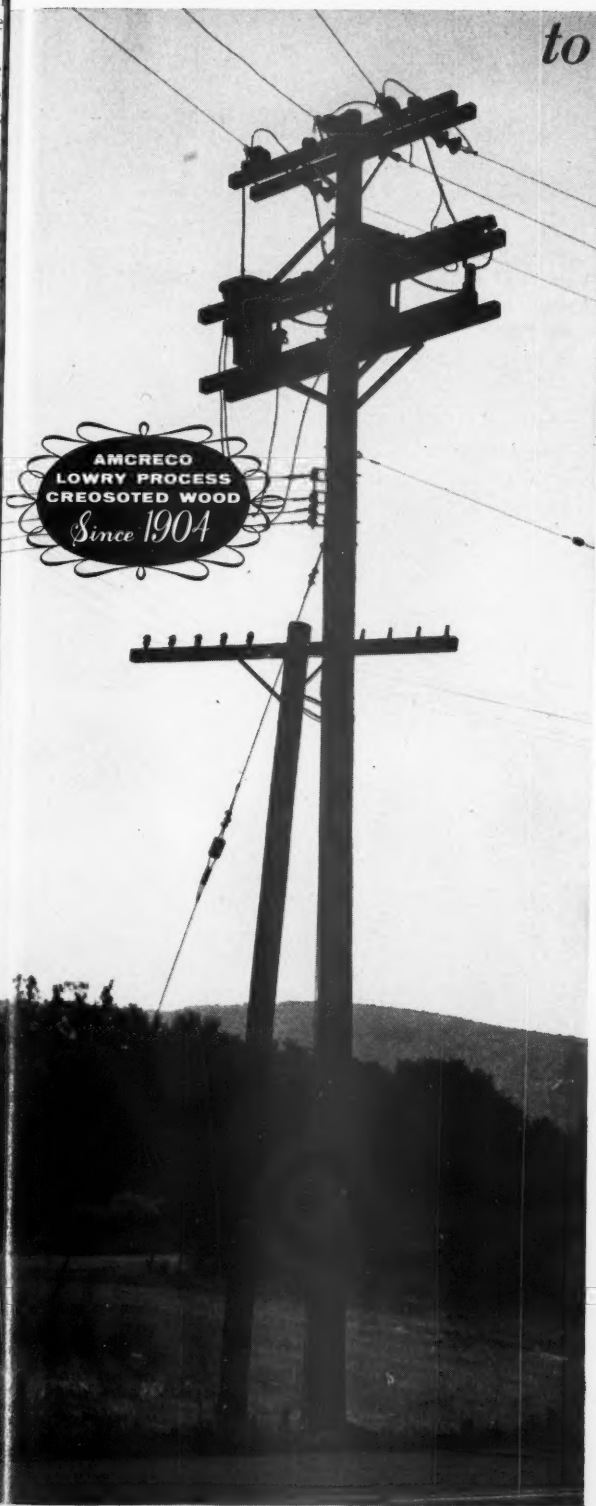
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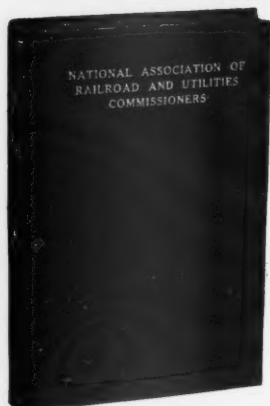
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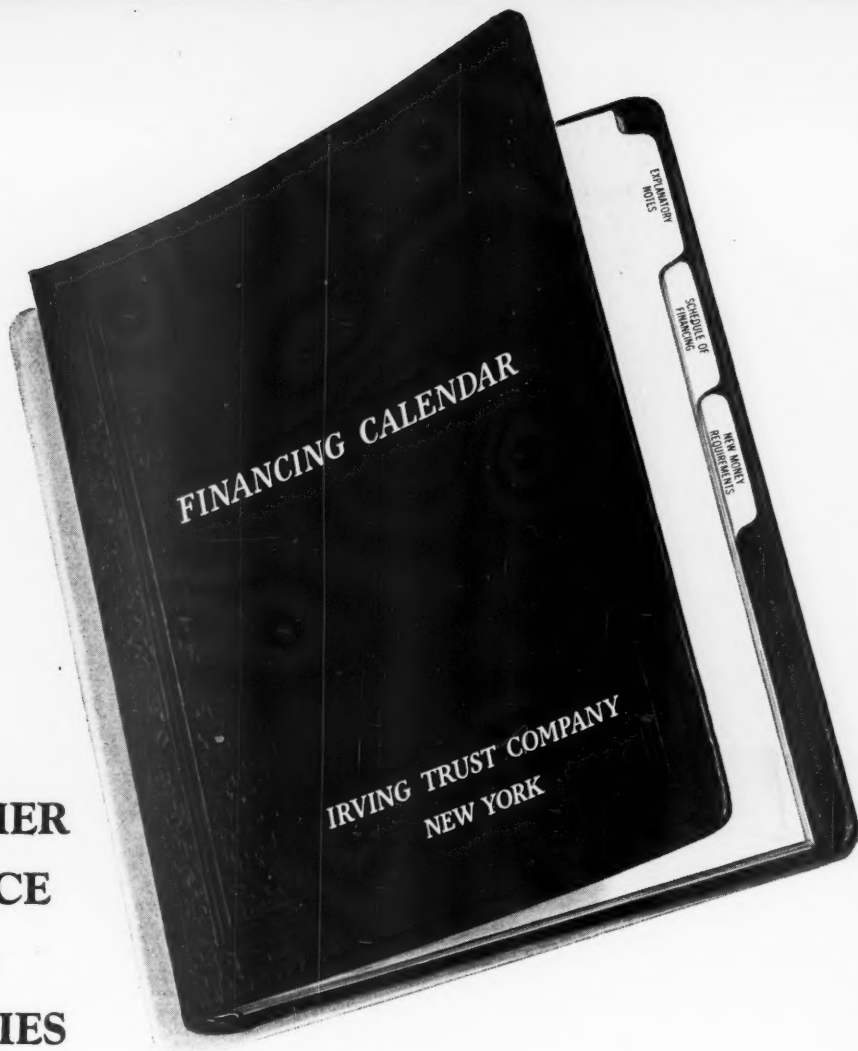
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reduces operator fatigue—elimination of “channel chatter” enables operators to concentrate on their jobs—reduces tension, providing a more pleasant atmosphere—increases job satisfaction.

- **selective**—This amazing new circuit opens the speaker only when receiving a properly coded transmission from a PRIVATE-LINE radiophone in the same operation. NUISANCE NOISE, MESSAGES FROM NEARBY SYSTEMS ON THE SAME CHANNEL, AND SKIP INTERFERENCE FROM DISTANT SYSTEMS CANNOT UNLOCK THE SPEAKER.
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- **precise**—Motorola’s exclusive VIBRASENDER and VIBRASPOUNDER electromechanical resonant tone devices assure precision stability, selectivity, and reliability.

Technical men will be quick to note that PRIVATE-LINE radio does not employ a conventional tone-pulse selective calling system, but, instead, a continuous inaudible tone-coded subcarrier system which opens the speaker only for calls from transmitters in the system. Interfering signals cannot “trip-open” or “lock-in” the speaker, since only the properly tone-coded carrier keeps speaker open.

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VALUABLE DATA is being supplied at G.E.'s Turbine-Generator Development Laboratory through full-scale testing of turbine and generator components. Above, E. H. Miller, J. E. Downs and C. E. Kilbourne, all of G.E.'s Large Steam Turbine-Generator Department, discuss plans to implement additional low-pressure steam path design concepts—a significant area of improvement in large size steam turbine-generators.

System economics pose the question—

How high will steam conditions go?

Knowledge gained from 4500 psig—1150 F developmental unit, and orders for machines up to 450,000 kw indicate the limit is still a long way off

The electric utility industry, confronted with spiralling fuel and labor costs, will watch with interest the performance results of the first super-critical pressure turbine now being installed at American

Gas & Electric System's Philo Station. Steam conditions are 4500 psig, 1150 F/1050 F/1000 F as compared with conventional conditions of 2400 psig, 1050 F of large units now going into service. Technical know-how gained from this developmental unit is already being applied, and considerable industry attention is now being focussed on several turbine-generators recently ordered having initial steam conditions of 3500 psig, 1050 F, with double reheat at 1050 F.

These major technological advances promise to help the utility industry capitalize on margins for improvement still available in the steam cycle. Each, too, will provide significant answers to the question: "How high will steam conditions go?"

It has long been recognized that lower fuel consumption per kwhr through the use of higher steam pressures, higher temperatures and the reheat cycle is an important means of offsetting rising fuel costs. According to a recent G-E study, significant fuel savings ap-

pear possible from further increases in pressure and temperature up to 10,000 psig, 1450 F.

At General Electric, engineering developments in metallurgy and turbine-generator designs are under way to make possible new steam cycle advances and to help utilities meet the need for increased system efficiency. Progress must also be made in further development of those components affected by steam conditions to help make such machines engineering practicalities.

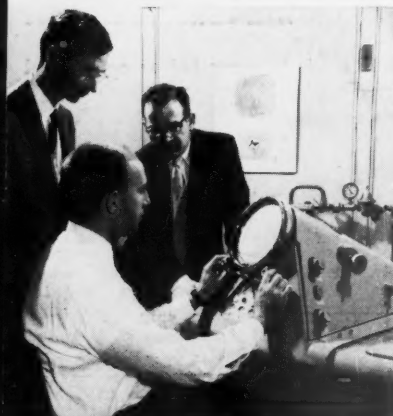
While percentage heat rate gains are smaller, the over-all dollar value of the fuel savings in large size units would be even greater than in the past, assuming a continuation of historic trends in fuel costs.

A copy of the recent study on advanced steam conditions, "Marg as for Improvement of the Steam Cycle," may be obtained by writing General Electric Company, GER-1070, Schenectady 5, N. Y.

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CONTINUING METALLURGICAL STUDIES are developing steels to handle tomorrow's steam conditions. Here, D. L. Newhouse, W. C. Hagel, and A. W. Rankin study materials used in super-critical pressure components of American Gas & Electric's No. 6 unit at the Philo Station.

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